

# Job security is coming back

2009Q3 Westpac McDermott Miller Employment Confidence Index: 103.0

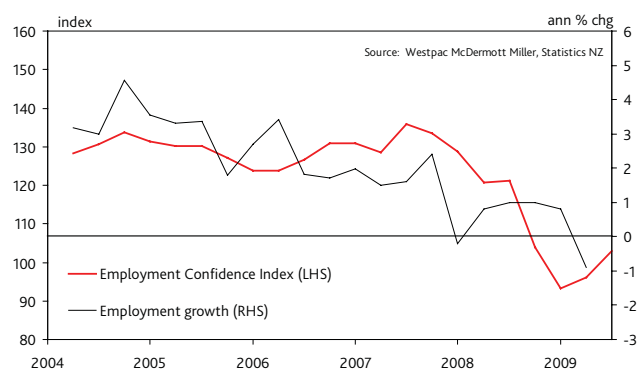
- **Employment confidence pushed higher in the September 2009 quarter, and is now back in optimistic territory.**
- **Expectations of better job opportunities and earnings next year, as well as improved job security, were the key drivers. Perceptions of the current employment situation and earnings remain a handbrake.**
- **Overall, the return of employment confidence bodes well for the emerging economic recovery, particularly if improved confidence (job security) translates into a greater willingness to spend.**

Confidence in the labour market situation has continued to build in the last few months. The Westpac Employment Confidence Index lifted 6.9 points between the June and September quarters (the second biggest quarterly gain in the history of the survey) to reach 103.0. This is the highest level of confidence since the December 2008 quarter. An index above 100 indicates there are more optimists than pessimists, while a number below 100 indicates that pessimists outnumber optimists. The survey was conducted between 1-14 September.

The support to confidence continues to come from optimism around the future employment outlook rather than current labour market conditions. In fact, the gap between how employees are feeling now and their expectations of the future employment situation has continued to widen this quarter.

The survey detail reveals that current labour conditions remain extremely tough. The Current Conditions Index fell from 77.0 in June to 74.4 in September (the weakest reading for this Index since the survey began in 2004). The decline was led by fewer respondents saying they are earning more now than a year ago (at a net 15%, down from a net 19% in June), and more respondents saying jobs are hard to get (at a net 66.5% in September, from a net 65.3% in June). That view is in line with our thinking on the current state of the labour market. We expect the unemployment rate to continue to push higher in the September quarter and wage growth to slow further.

Employment and confidence



Employment Confidence Indices

	Sep-09	Jun-09	change
Employment Confidence Index	103.0	96.1	6.9
Present Conditions Index	74.4	77.0	-2.6
Employment Expectations Index	122.1	108.8	13.3

However, employees are far more cheerful about the outlook in 2010, as reflected in the big increase in the Employment Expectations Index. The Index jumped 13.3 points to 122.1, the highest reading since December 2007, and not far off the record high of 125.1. A massive shift in expectations of job availability in 12 months time drove the increase in expectations, with a net 14.4% of respondents expecting jobs to be more plentiful than now, compared with a net 9% expecting jobs to be harder to get back in June. This is the strongest response in this component since the survey began. Employees are also more upbeat about their pay outlook – a net 34% of respondents expect to be earning more next year, up from a net 28% in June.

However, the most telling result in the survey is the improvement in perceived job security. A net 18% of respondents said that they expected to be more secure in their job over the coming year, up from a net 7.2% in June and well off the record low in March when a net 1% expected to be less secure.

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### Regional and demographic breakdown

The lift in confidence was widespread this quarter with all regions, except Northland, reporting an increase. The biggest increases were in Nelson/Marlborough and Southland, with the indices lifting by 10 points each. Confidence is now the highest in Southland where the Index is at 109.6 (up from 99.2 in the June quarter). Employment confidence is the lowest in the Northland region (the Index measuring 95.1), and possibly reflects the high level of unemployment in that region.

In terms of demographics, confidence was up amongst both males and females although males remain the most optimistic. By age group, the biggest gains this quarter were amongst the 30-49 year olds, with the headline Index lifting 7.5 points to 102.9. However, confidence is the highest in the 18-29 age group, with the Index at 109.8. In terms of income group, the lift in confidence this quarter was evenly spread between the middle and upper income groups, but the upper income group is still clearly the most optimistic.

### Employment Confidence Data

Region	Index		
	Sep-08	Jun-09	Sep-09
Northland	104.7	95.8	95.1
Auckland	101.3	96.4	100.6
Waikato	106.7	94.7	104.3
Bay of Plenty	109.5	97.1	101.1
Gisborne/Hawkes Bay	103.5	93.3	101.2
Taranaki/Manawatu	100.6	95.7	103.1
Wellington	111.0	92.1	101.6
Nelson/Marlborough/Westland	104.3	98.6	108.9
Canterbury	106.9	99.8	109.2
Otago	103.8	95.3	104.1
Southland	108.0	99.2	109.6

### Implications

Today's results have few implications for our near term employment forecasts. However, the survey detail does give us hope that we have seen the worst in the employment downturn and that the unemployment rate will only edge higher from here. We expect the unemployment rate to peak at 7%.

The big insight from these survey results is that employees are now far less concerned about the employment outlook and that has translated into increased job security. If employees are feeling more secure, and expect job opportunities to be plentiful in the coming year, then they are more likely to be willing to spend and may even perceive themselves to be in a better position to demand higher wages. Of course demanding higher wages and actually getting them are two different things, but for the RBNZ the shift in employment sentiment is noteworthy. Very weak consumer spending and wage growth are a large part of their low medium term inflation story.

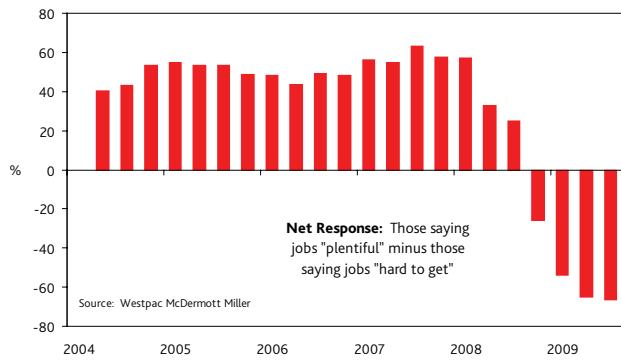
Overall, today's survey results add to the growing list of positive data releases on the New Zealand economy. While we believe interest rate hikes are still some way off, the RBNZ must surely now be reconsidering the timing of the first rate hike.

**Brendan O'Donovan**, Chief Economist, Ph: (64-4) 470 8250

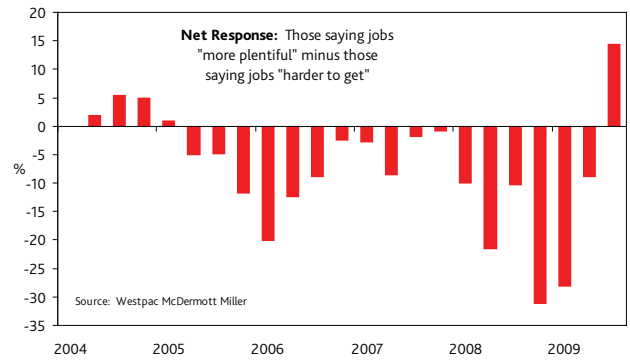
**Donna Purdue**, Senior Economist, Ph: (64-4) 381 1407

**Q4 ECI will be released on Wednesday 6 January 2010**

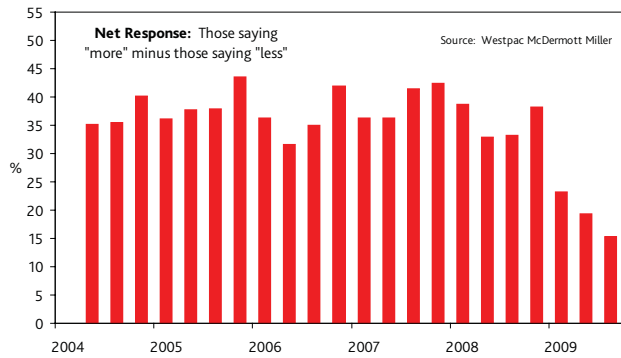
**Do you think jobs are plentiful or hard to get?**



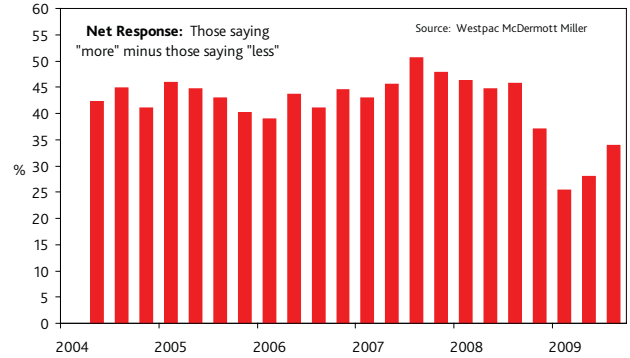
**Job opportunities in NZ in a years time compared to now**



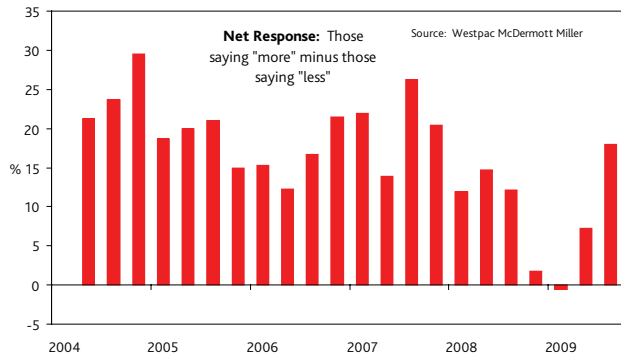
**Earnings in paid work now compared to this time last year**



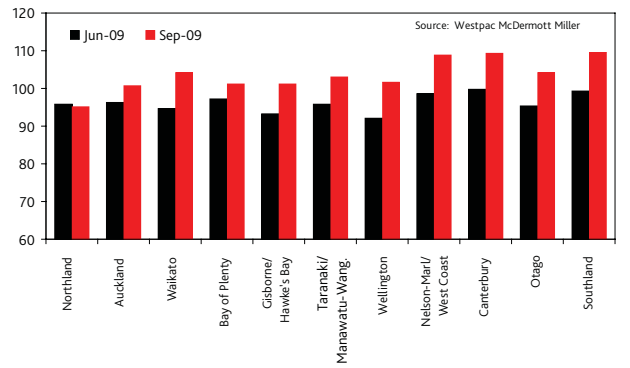
**Expected earnings in paid work this time next year**



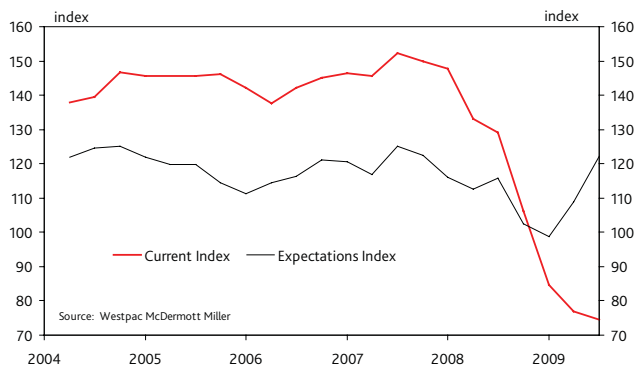
**Personal job security over the coming year**



**Regional Confidence**



**Employment confidence**



**Employment Confidence Data**

Quarter	Index
Jun-07	128.4
Sep-07	135.9
Dec-07	133.5
Mar-08	128.8
Jun-08	120.8
Sep-08	121.2
Dec-08	104.0
Mar-09	93.2
Jun-09	96.1
Sep-09	103.0