

Human Resources Institute of New Zealand - HRINZ

1. Current economic and political situation in New Zealand

Economy and labour market situation

A.ECONOMY

Economic growth slowed in the first half of 2015 and was lower than anticipated in the 2015 Budget Update. Economic growth remains muted in the near term in response to weak global and domestic demand and lower terms of trade. El Nino weather conditions, coupled with existing price signals, depressed agricultural production and exports in early 2016. The degree of spare capacity in the economy is expected to increase further as growth slows, resulting in higher unemployment and lower non-tradables inflationary pressures. Real GDP growth was forecasted to ease to 2.1% in the year to March 2016.

Growth is expected to pick up in the second half of 2016 and remain above trend for most of the latter part of the forecast. Exports are expected to recover in response to the recovery in the terms of trade, the weaker dollar and as the agricultural sector recovers from El Nino, with further support from strong travel service exports. Stimulatory monetary policy conditions are expected to support domestic consumption and investment. Increases in the Government's operating and capital allowances increase public consumption and non-market investment respectively. Unemployment falls as spare capacity in the economy declines.

Nominal GDP growth is expected to slow in the near term in response to slower real GDP growth and the lower terms of trade. Strong nominal GDP growth in later years, as real GDP growth picks up and the terms of trade increase, does not return nominal GDP to previously forecast levels. For the fiscal years 2014/15 to 2018/19, nominal GDP is forecast to be a cumulative \$17 billion lower compared to the 2015 Budget Update.

Key factors influencing the economic outlook include judgements around trading partner growth, the future path of commodity prices, the impact of El Nino, the extent and duration of the current migration cycle and the relationship between inflation and spare capacity.

The Crown's fiscal position has improved over the past few years with an operating balance excluding gains and losses being recorded in the 2014/15 fiscal year for the first time since 2007/08 (up from a deficit of \$18.4 billion in 2010/11) and compared to a forecast deficit at the 2015 Budget Update. However, the more moderate outlook for the economy means this is now expected to be broadly in balance over the next few years with a small deficit forecast for 2015/16 and modest surpluses from 2016/17. Net core Crown debt is expected to peak at 27.7% of GDP in 2016/17, before dropping to 24.0% of GDP by 2019/20 reflecting increasing cash flows.

B.LABOUR MARKET

Unemployment rate down to 5.3%

In the year to December 2015:

- the unemployment rate fell to 5.3% – the lowest since March 2009
- 10,000 fewer people were unemployed than in the preceding year
- unemployment rates were lowest in Canterbury (3.9%), and in Southland and Taranaki (both 4.1%)
- employment rose by 1.3% – an increase of 31,000 people.

Construction top industry for growth in employment

Of all industries, construction had the strongest growth in the year to December 2015.

In the year to December 2015:

- construction had the strongest growth in numbers of people employed
- most employment growth in construction was in Auckland, followed by Canterbury and the Bay of Plenty
- most of the additional construction workers were technicians and tradespeople.

Auckland experienced the most growth

In the year to December 2015, about three-quarters of all employment growth came from Auckland (23,100 people).

Outlook: employment growth expected to continue

According to the Ministry of Business, Innovation and Employment's outlook to 2019:

- employment is forecast to continue growing at an average of 2.1% a year
- the unemployment rate is expected to rise to 6% by March 2017, and then fall to 5% by March 2019

- the strongest employment growth is expected in construction and related industries, with hospitality and tourism, wholesale and retail trade, and business services also growing
- employment growth rates are expected to be highest in Marlborough, West Coast and Otago, with the largest employment increases in Auckland and Canterbury
- highly skilled jobs are expected to increase from 42% to 43% of all jobs and lower skilled jobs are expected to fall from 46% to 45%.

Political situation

Politically New Zealand continues to be democratic and stable. The Prime Minister and leader of the National Party, John Key, remains the favoured Prime Minister with popularity four times higher than the next two contenders. He has signalled he will run for a fourth term. The National Party (centre right) continues to be the leading political party in New Zealand and, in the current climate, would remain in power – although they might require the support of partner parties. The Green Party has recently slipped from third to fourth most popular party and NZ First (“grey power”) is now the third most popular party. A fourth National term would probably prolong stability although others would say at what long-term price? There are some signs that National are starting to look a bit tired and lacking in ideas and, maybe, suffering from “third termitis”. Recent high profile issues around unaffordability of housing, homelessness, wealth and income inequality and contaminated water supplies have not helped National’s popularity. 2017 is an election year and will be atypical and, as ever, create a ripple effect in the home of NZ Government, Wellington.

2. HR challenges

The eleven main challenges facing the HR profession in New Zealand at present are:

- Health and Safety Reform Act 2015 is now in force
- Ageing population
- Talent supply plus skills mismatches
- People leadership – the pressure of doing more with less
- Societal Mortality
- Work force engagement
- Rise of work as a consumer experience
- Increasing wage disparity
- Rise of the “precariat”
- “Never off” syndrome/well being/stress/bullying
- Influence and profile of HR.

3. HRINZ projects and initiatives

Major areas of HRINZ activity include the following:

- Increasing professionalisation via Chartered Member and Professional Pathways proposal
- Membership growth
- Increasing connection – locally, nationally and globally

- Technology – including the introduction of an eLearning system in conjunction with ELMO and a continuous membership listening mechanism with “Ask Your Team”
- Compelling value proposition
- Competitive challenge and finances.

4. Scheduled Conferences

- HRINZ Research Forum (22 November 2016)
- NZ HR Awards (23 February 2017)
- NZ HR Summits (TBA)
- NZ HR Conference & Expo (23-24 August 2017)

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