

For immediate release, Tuesday 21 December 2010

Employee confidence edges higher

Westpac McDermott Miller Employment Confidence, December 2010 quarter

The Westpac McDermott Miller Employment Confidence Index edged higher in the December 2010 quarter, from 102.6 in the September 2010 quarter to 103.5 currently. However, confidence is slightly lower than the same time a year ago when the Index was at 104.3. 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 December.

“Hopes of better employment conditions in 2011, specifically higher earnings and improved job security, saw employment confidence tick higher in the December quarter,” said Westpac Senior Economist Donna Purdue. “However, employees are still extremely downbeat about current employment conditions. That continues to weigh heavily on the overall level of confidence, and is a little concerning given that we are 18 months down the path of recovery.”

The major issue for employees in the here and now is job availability. “A net 63.4% of respondents say jobs are hard to get, up from a net 61.3% in September and close to the high reached in September last year when a net 66.5% of respondents felt jobs were hard to get,” said Mrs Purdue. “We find it hard to reconcile the overwhelmingly negative response to this question with the positive developments in the labour market over the past year, but the message is clear: the jobs market remains tough, and possibly even tougher than we thought heading into 2011.”

On a more positive note, current earnings were assessed as unchanged over the quarter, with a net 21.4% of employees saying they are earning more than a year ago. That is still the highest reading since the March 2009 quarter. “Even though job opportunities may be few and far between at the moment, for those in jobs, the perception is that earnings are holding up reasonably well,” said Mrs Purdue.

Employees’ high level of optimism about the future has been maintained, and has even improved through the quarter, with the Employment Expectations Index rising from 117.8 to 119.8. “The biggest upward influence on confidence this quarter was an increase in earnings expectations for the coming year,” Mrs Purdue said. A net 40.3% of respondents said they expect to be earning more in a year’s time, up from a net 34.6% in September, and the highest since the September 2008 quarter. “That is consistent with our view that upward pressure on wages will build through 2011,” said Mrs Purdue. Perceived job security also improved, rising from a net 7.2% in September to a

net 11% currently, although that remains below long run average of a net 15.6%. Meanwhile, fewer employees expected better job opportunities over the coming year, with a net 8.2% of respondents saying they expect job opportunities to be plentiful this time next year, down from 11.3% in the September quarter. However, this is still well above the survey average of a net 3.4% of respondents expecting jobs will be hard to find.

“Despite a few worrying signs in the detail of the survey, the overall rise in employment confidence is encouraging,” said Mrs Purdue. “The strengthening labour market, and income growth in particular, is in integral part of our growth story for 2011. At current levels, the Index is indicative of a continued decline in the unemployment rate over coming quarters, albeit more modest than we have seen since the beginning of the year.”

“New Zealand employees’ confidence rose slightly in the December quarter (up 0.9 points) and remains optimistic”, announced Richard Miller, Managing Director of Strategic Planning Consultancy McDermott Miller. “The Westpac: McDermott Miller Employment Confidence Index for New Zealand now stands at 103.5”.

“New Zealand employees generally believe jobs are harder to get than this time last year; the net percentage with a positive view dropped a further 4.0 points over the year to -61.3%. However, a majority continue to expect job opportunities to improve over the next year (net +8.3 %), but this is 8.3 points down on a year ago. Employees personal sense of job security has also slipped over the year (down 2.2 points to net 11%)”, observed Richard Miller.

“On the positive side, those that are in work believe they are earning more than they were a year ago (net positive increased 6.4 points over the year to 21.4%), and they expect to be earning more this time next year” (up 4.0 points to a net 40.3%)”, noted Richard Miller.

Employment confidence of public sector employees picked up 1.9 points in the December quarter and now stands at 103.9 (2.1 points higher than a year ago)”, Richard Miller noted. “Private Sector employment confidence stabilised at 104.5 (1.8 points lower than last December).”

“Twice as many public sector employees (net positive 31.8% compared to 16.5%) now say they are earning more than this time last year”, said Richard Miller. “On the other hand, more private sector than public sector employees feel secure in their jobs (net positive of 14.9% compare to 8.7%).”

“Government efforts to curb public sector expenditure underlies the contrasts between public and private sector employment confidence”, suggested Richard Miller.

Ends.

For further information contact:

Donna Purdue
Senior Economist
Westpac
04 381 1407

Email: donna_purdue@westpac.co.nz

Website: www.westpac.co.nz

Richard Miller
Managing Director
McDermott Miller

04 471 8500

Mobile: 027 451 0158

Email: strategies@mcdermottmiller.co.nz

Website: www.mcdermottmiller.co.nz

WESTPAC : McDERMOTT MILLER EMPLOYMENT CONFIDENCE INDEX DECEMBER 2010

BACKGROUND

The Westpac: McDermott Miller Employment Confidence Index is calculated from a specific section of the Westpac: McDermott Miller Consumer Confidence Survey. This survey is carried out under joint sponsorship by Westpac and consulting firm McDermott Miller on a quarterly basis. The questions on which the Employment Confidence Index is based were added initially to the Survey in June 2004.

EMPLOYMENT CONFIDENCE INDEX

The five Employment Confidence Index questions are:

1. *Do you think jobs are plentiful or hard to get?*
2. *Do you think job opportunities in New Zealand in a year's time compared to now will be more plentiful, harder to get or about the same?*
3. *Do you earn more, less, or the same in your paid work now compared to this time last year?*
4. *Do you expect to be earning more, less or the same in your paid work this time next year?*
5. *Would you say your job is likely to be more or less secure over the coming year than now?*

The first two questions are asked of all respondents (1557), the remainder to those declaring they are in paid work (989 or 64% of respondents).

The **Employment Confidence Index** is calculated by McDermott Miller from percentage responses to the five questions. It is 100 plus the unweighted average of the difference between positive/optimistic responses and negative/pessimistic responses. A score above 100 shows more optimism than pessimism and vice versa for a score below 100. The **Current Employment Conditions Index** is calculated similarly by McDermott Miller from the questions on perception of current job opportunities and change in personal earnings over the last year. The **Employment Expectations Index** is calculated from the questions on expectations of change over the coming year in: job opportunities, personal earnings and job security.

SURVEY SPECIFICATIONS OF DECEMBER 2010 EMPLOYMENT CONFIDENCE SURVEY

The **Sample Universe** is all households in permanent private dwellings in New Zealand. A **Sample Size** of 1554 interviews in December 2010 was obtained following a 50% response rate. Survey interviews were conducted during 1 – 14 December 2010, between the hours of 5.30 pm and 9.00 pm weekdays and 12.30 pm and 7.30 pm Saturday and Sunday.

The **Margin for error** for the questions used for the Employment Confidence survey is a maximum of plus or minus 2.5% at 95% confidence

The **Sampling Technique** employed is stratified by Regional Council region, with randomised quotas within regions based on local telephone directories. Respondent's towns of residence are recorded, allowing analysis by a three-way split: **Metropolitan Centres** (Auckland, Wellington, and Christchurch) **Secondary Centres** (ranging in size from Timaru up to Hamilton and Dunedin), or **Rural** (the remainder).

The **Data Collection Methodology** is computer aided telephone interviews. The Survey is conducted by McDermott Miller. **Respondent Recruitment** selects the household member over 18 years whose birthday falls next. Up to three call-backs are mandatory where the target respondent is not available. No incentives are offered. **Quality Control** is assured by close management of field administrators and interviewers by a Senior Consultant. All telephone numbers and response codes are recorded by each interviewer and random auditing of respondents is carried out.

ACKNOWLEDGEMENT

The Westpac: McDermott Miller Employment Confidence Index is owned by McDermott Miller Limited. Westpac : McDermott Miller should be acknowledged as the source when citing the Employment Confidence Survey and Index. Graphs supplied may be reproduced by the news media provided the Westpac : McDermott Miller logo remains inset.

All enquiries should be addressed to:

Richard Miller
Managing Director
McDermott Miller Limited
PO Box 629
Wellington

Telephone: (04) 471-8500 (Business)
(027) 451 0158 (Mobile)
(04) 479-5853 (Home)

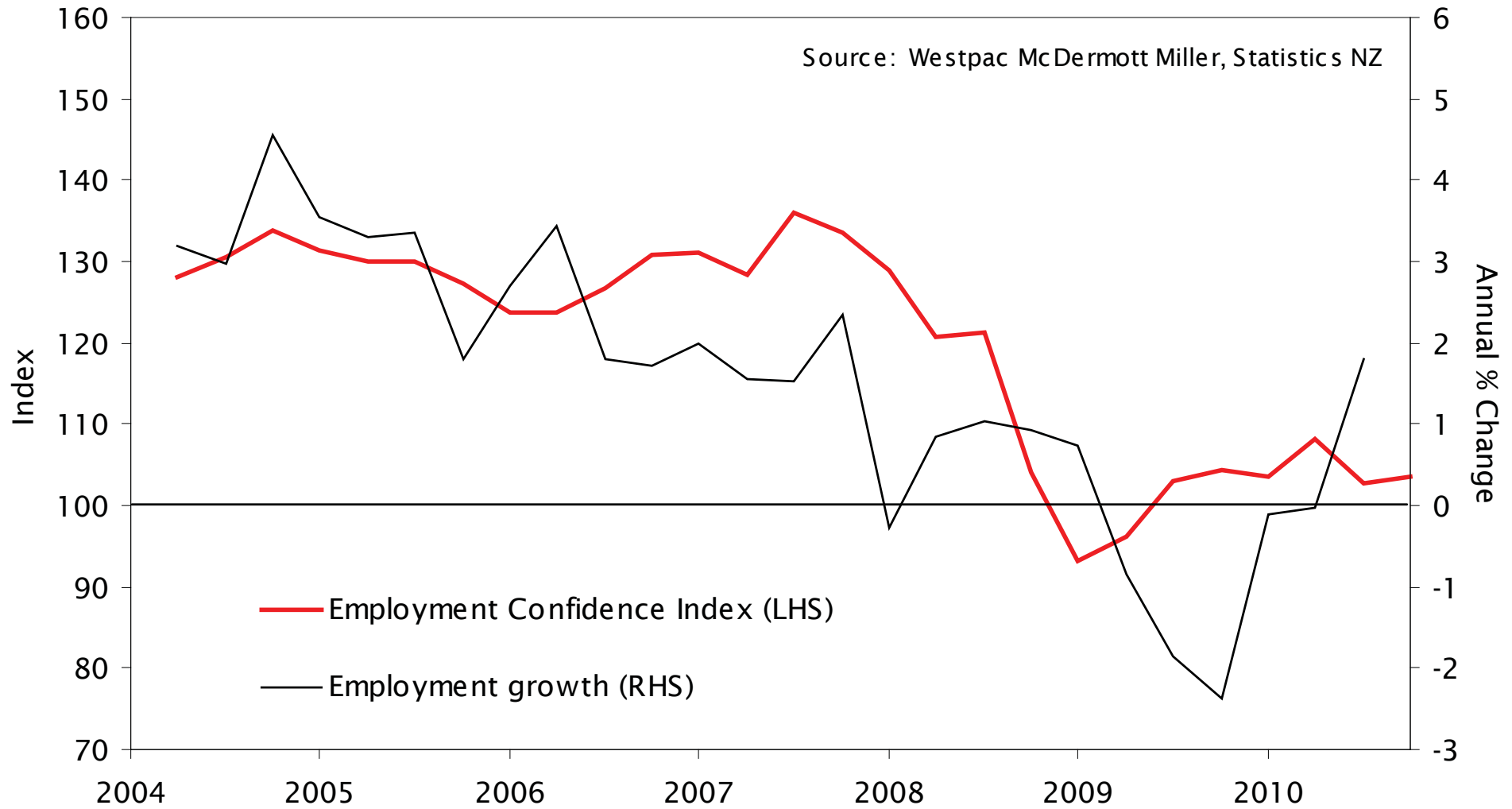
Email: RMiller@mcdermottmiller.co.nz

McDERMOTT MILLER LIMITED *Strategy Consultants*

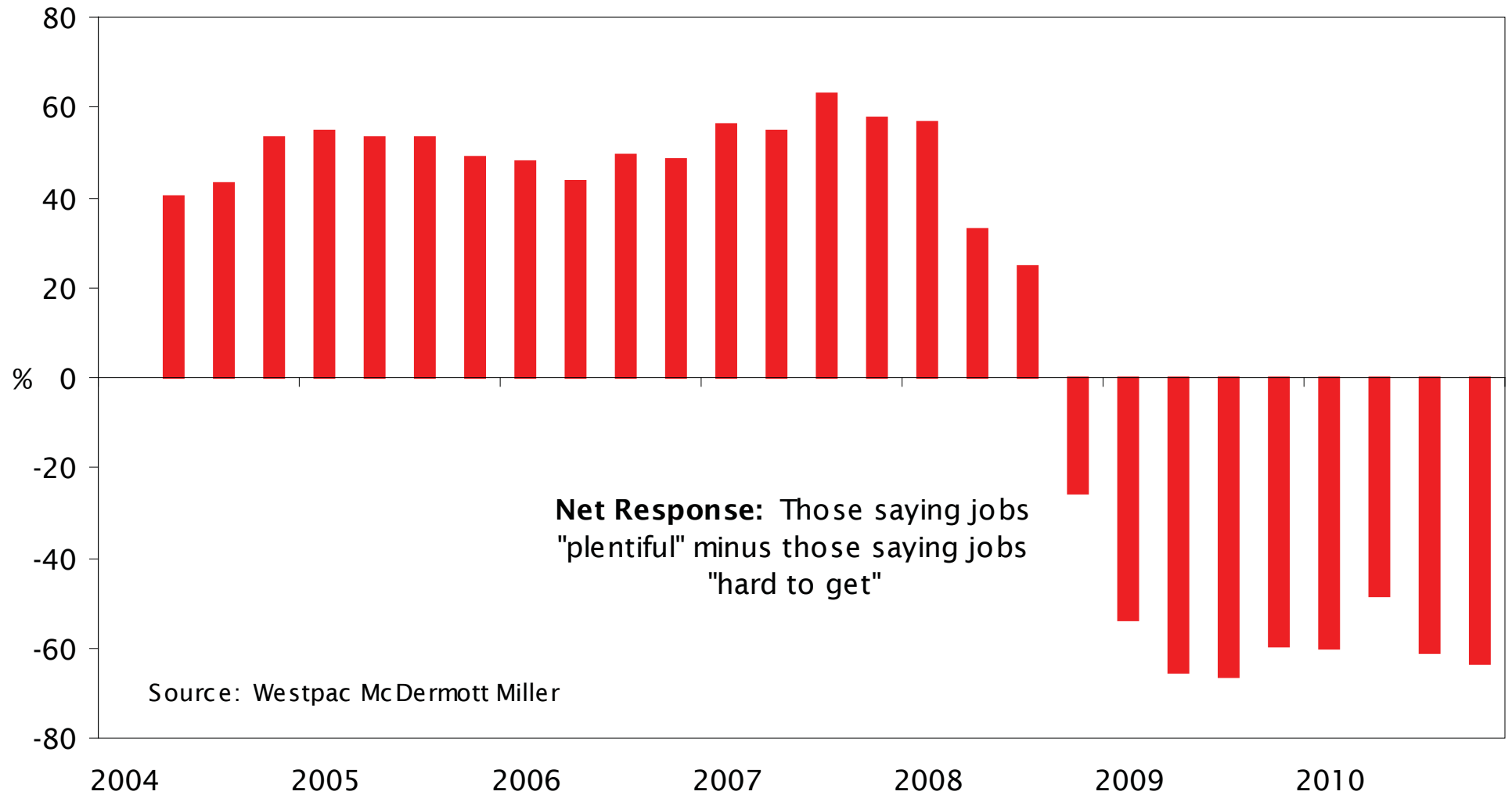
CPO BOX 629 WELLINGTON NEW ZEALAND
2nd FLOOR 90 THE TERRACE WELLINGTON
TELEPHONE (04) 471-8500

EMAIL strategies@mcdermottmiller.co.nz WEB www.mcdermottmiller.co.nz

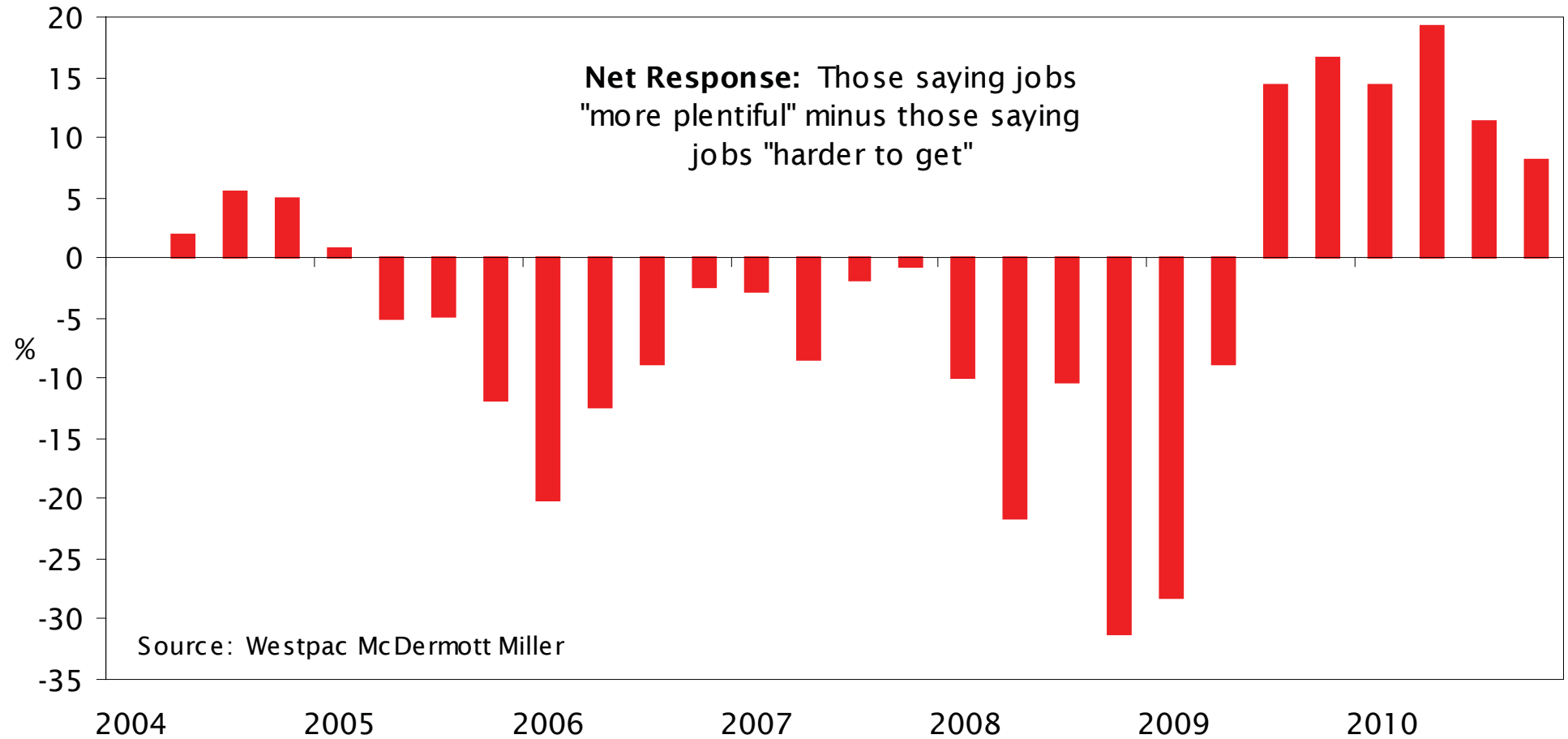
NZ employment and confidence



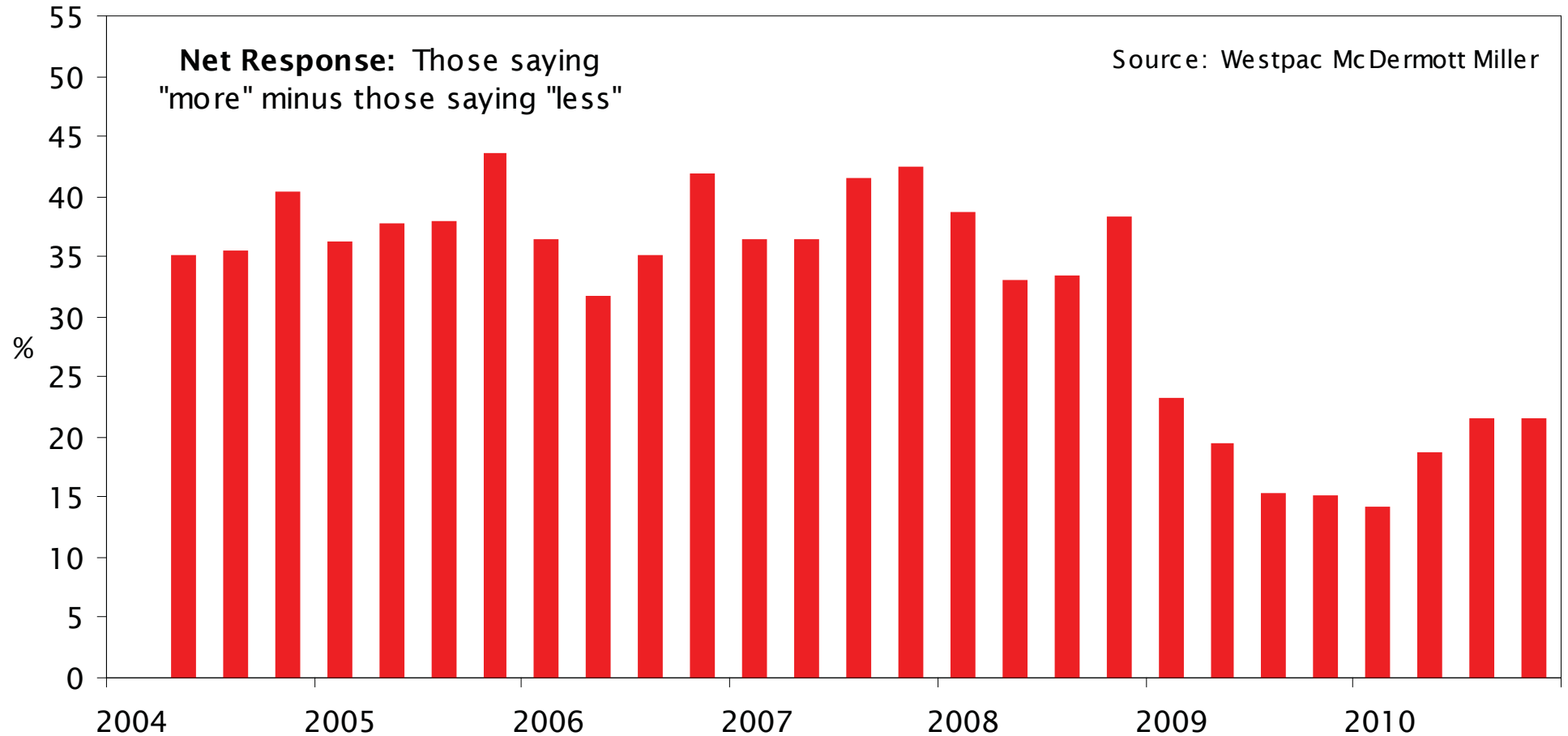
Do you think jobs are plentiful or hard to get?



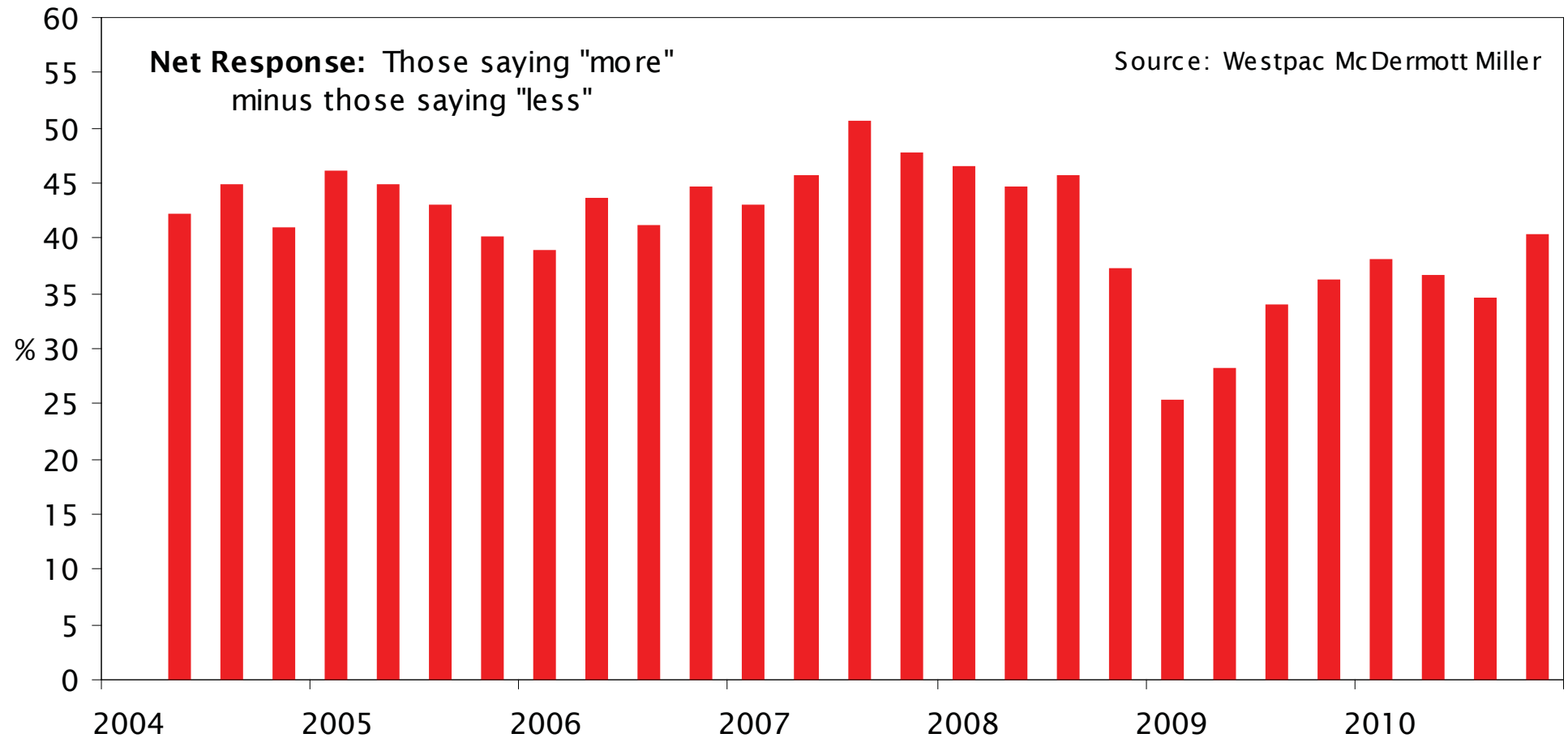
Job opportunities in NZ in a years time compared to now



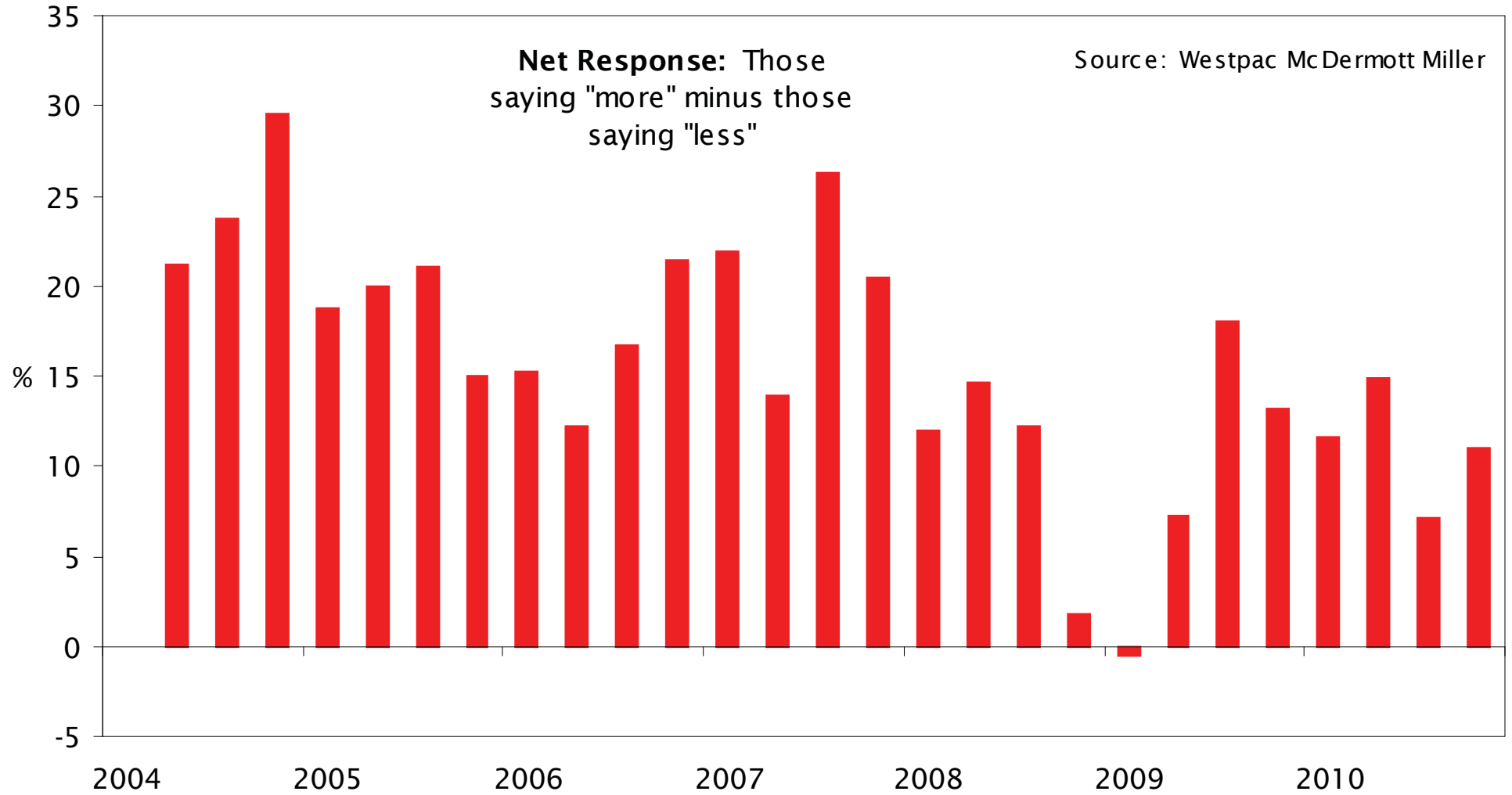
Earnings in paid work now compared to this time last year



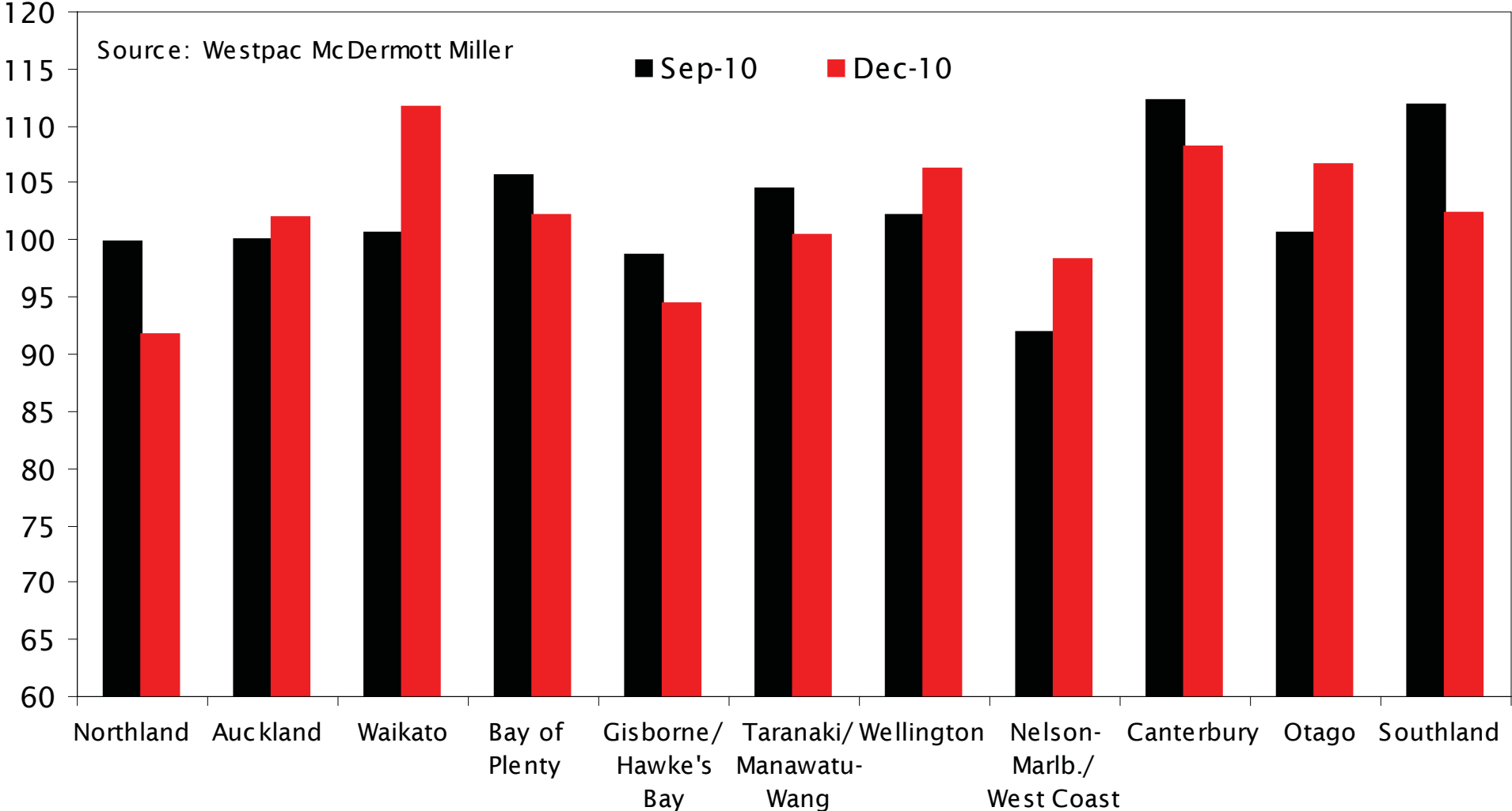
Expected earnings in paid work this time next year



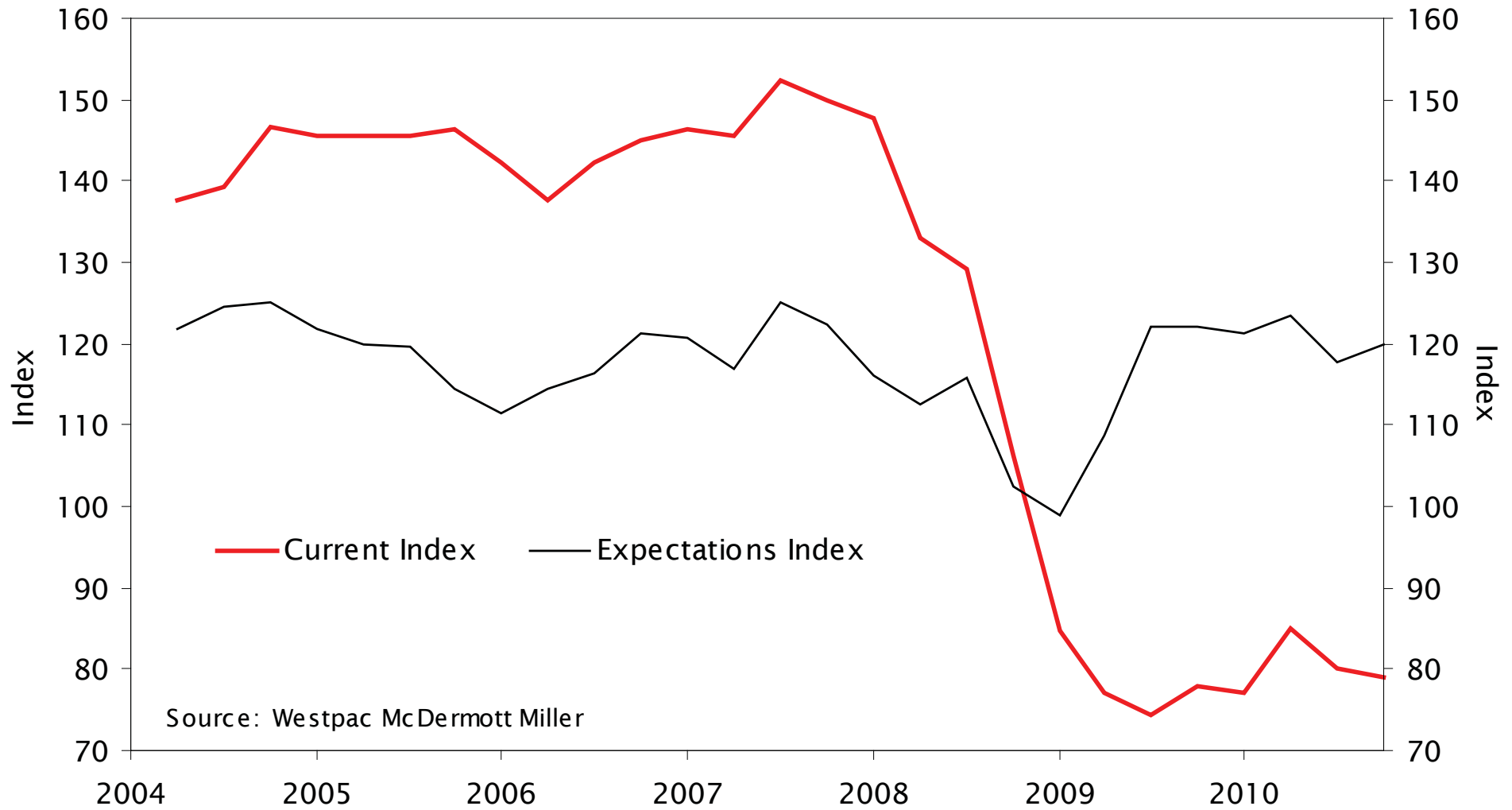
Personal job security over the coming year



Regional confidence



Employment confidence



Employment Confidence Index vs unemployment rate

