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Lowest wage growth in eight years

The Labour Cost Index (LCI) recorded an increase of 1.8 percent in salary and wage rates (including overtime) in the year to the December 2009 quarter, Statistics New Zealand said today. This is the lowest annual increase since one of 1.8 percent in the year to the June 2001 quarter, and continues a decline recorded in annual wage growth over the past 15 months from a peak of 4.0 percent in the year to the September 2008 quarter.

Salary and wage rates (including overtime) for the public and private sectors increased in the year to the December 2009 quarter by 2.4 percent and 1.6 percent, respectively. The increase for the public sector is the lowest since an identical increase in the year to the September 2004 quarter, while the private sector increase is the lowest since a 1.6 percent rise in the year to the March 2001 quarter.

In the December 2009 quarter, salary and wage rates (including overtime) increased 0.4 percent, following an increase of 0.5 percent in the September 2009 quarter. The public and private sectors recorded similar movements, with increases of 0.3 percent for both these sectors in the December 2009 quarter.

For those surveyed salary and ordinary time wage rates that rose in the December 2009 quarter, the median increase was 2.9 percent. This compares with a median increase of 3.7 percent in the September 2009 quarter. The latest median increase is the lowest since a median increase of 2.8 percent in the March 2001 quarter.

The slow-down in annual wage rate growth has occurred during a period in which the business demand for labour has declined. The Quarterly Employment Survey (QES) results show that for the year to the December 2009 quarter, employment, as measured by the number of full-time equivalent employees, decreased 2.5 percent and filled jobs decreased by 1.7 percent. The manufacturing and construction industries were the main contributors to both these annual decreases.

The QES results also showed that seasonally adjusted gross earnings increased 1.9 percent for the year to the December 2009 quarter, while seasonally adjusted total paid hours decreased 1.8 percent for the same period. Despite a fall in paid hours, total gross earnings increased over the year, leading to a 3.7 percent increase in the average total hourly earnings in the year to the December 2009 quarter.

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