



Te Puni Kōkiri
MINISTRY OF MĀORI DEVELOPMENT

Data & Analytics Summary

Economic Impact of COVID-19 July 2020



Introduction

Overview

Historically, recessions have had significant negative impacts on Māori employment and the COVID-19 recession will not be an exception. The duration, extent, and severity of the impact on Māori will depend on the decisions and policy responses that are developed to support the recovery.

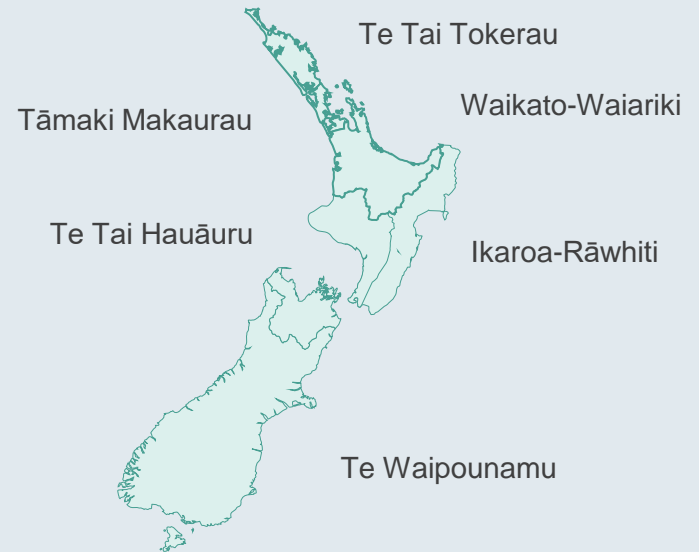
Te Puni Kōkiri has taken a leadership role in understanding the impacts of this recession on Māori, the industries they work in, and their economic resilience. This summarises that work.

This analysis estimates the impact on Māori unemployment and average wages at the rohe and national level, specifically measuring the:

- Impact on overall unemployment projections for the Māori population relative to unemployment prior to COVID-19 (i.e. additional unemployed workers as a result of COVID-19).
- Impact on the average real wages of unemployed Māori who regain employment.

The impacts of COVID-19 on Māori employment and real wages were modelled at a national and rohe level and demographic analysis has provided additional insights about the impact of COVID-19 on wāhine, rangatahi, and those living in urban and regional areas.

While June is used as the ‘peak’ unemployment month for most industries, in practice the peak unemployment timing could be as much as 2-3 months later depending on short-term industry resilience, and the industrial mix of the economic slowdown.



Impact	Demographic breakdown					
Employment	National	Rohe	Wāhine	Rangatahi	Main Urban Centres	Regional locations
Real wage	National			Rohe		



Impact of COVID-19 – Key findings

Key findings

Māori historically suffer worse outcomes stemming from major economic disruptions, and they subsequently face a number of challenges reengaging in the labour market after those shocks. Notably:

- Experience from previous recessions shows that unemployment takes 3-6 quarters longer to return to ‘baseline’ for Māori than non-Māori. This is due to a higher number of lower skilled and temporary workers, as well as a lower attachment to the labour market.
- COVID-19 will most severely impact those industries in which Māori are over-represented in the labour force such as **accommodation and food services, retail trade, manufacturing, and construction**.
- Those industries directly exposed to international tourism (food services, high end retail, and accommodation) will likely suffer a prolonged downturn, particularly as long as borders remain closed.
- There are some initial indications that retail may be more resilient than expected, with domestic consumption partially replacing tourism expenditure.
- In the medium-term, construction may see less impact than projected as a result of the government’s shovel-ready infrastructure programmes, and high-end manufacturing is expected to remain robust.
- Māori in a number of regions are already less economically resilient – in terms of industrial composition, income, and education – than their non-Māori counterparts.
- Māori SMEs are over-exposed in the highly impacted sectors such as those reliant on tourism.

Modelling on updated unemployment data

Initial forecasts of the economic impact of COVID-19 suggested that the downturn would be extremely severe. Updated projections paint a less gloomy picture. This is largely a result of the:

- Faster than anticipated elimination of the virus and the expedited movement from Alert Level Four to Alert Level One.
- Less severe direct health impact from COVID-19 than expected.
- Faster reopening that has allowed for industries to resume trading. A slower opening would have meant a more uniform recession across many industries.

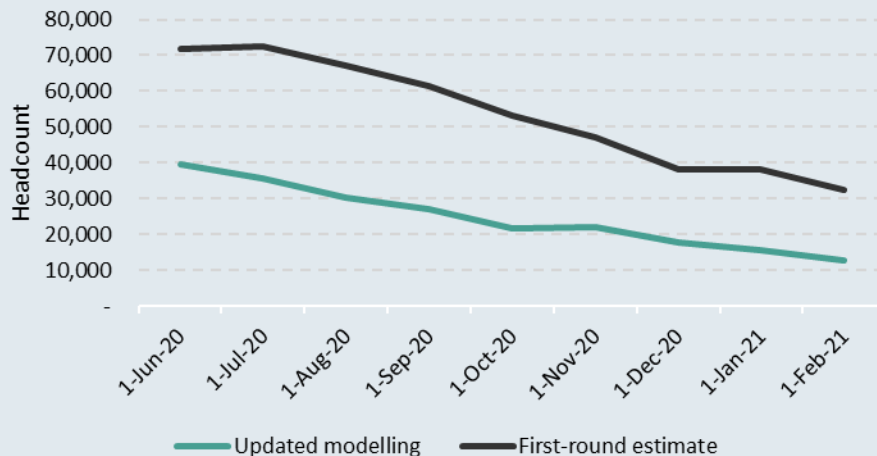


National impact analysis

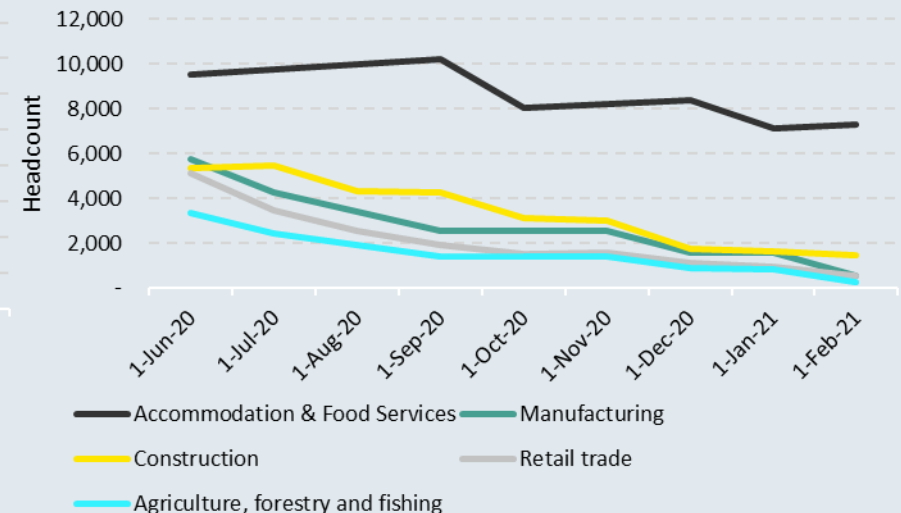
Key findings

- The increase in the number of unemployed Māori in June 2020 from the pre-COVID-19 baseline is projected to be **39,000 – 40,000**.
- The first round of modelling estimated higher unemployment for Māori (black line, bottom left). This was prior to the announcement of a wage subsidy, or the faster than anticipated shift down alert levels. Updated modelling (green line, bottom left) that takes account of these changes is much lower.
- The Māori unemployment rate is projected to rise from **8%** in December 2019 to **20%** during the peak month of unemployment (which is assumed to be June, but could be as much as 2-3 months later). This is higher than the Māori unemployment rate experienced following the Global Financial Crisis, which peaked at **15%**.
- The industries with the highest projected increase in unemployment in June 2020 are accommodation and food services (**9,500**), manufacturing (**5,800**), construction (**5,300**), and retail trade (**5,100**).
- This represents a **46%** decline in Māori employment from pre-COVID-19 levels in accommodation and food services industry, **16%** in manufacturing, **20%** in construction and **17%** in retail trade.

Increase in unemployed Māori from pre-COVID-19
Baseline: New Zealand

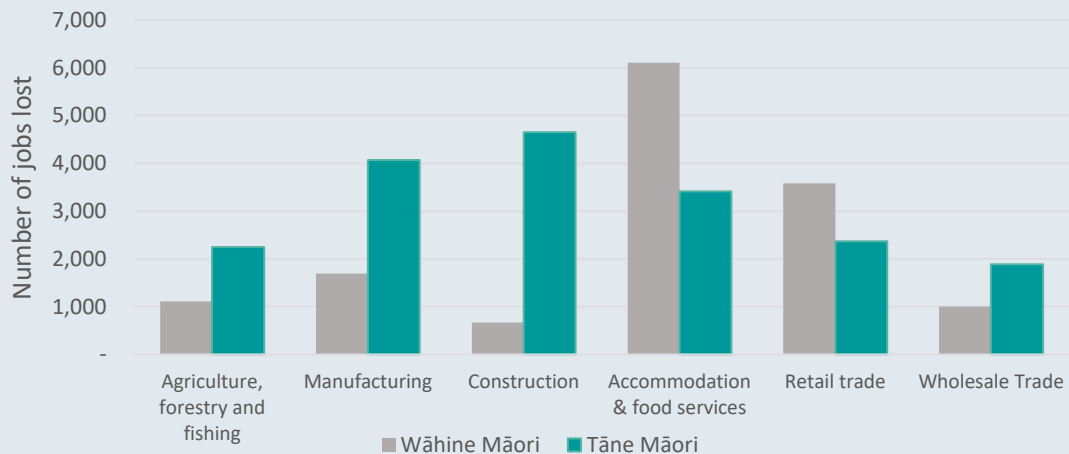


Increase in unemployed Māori from pre-COVID-19
baseline employment: New Zealand

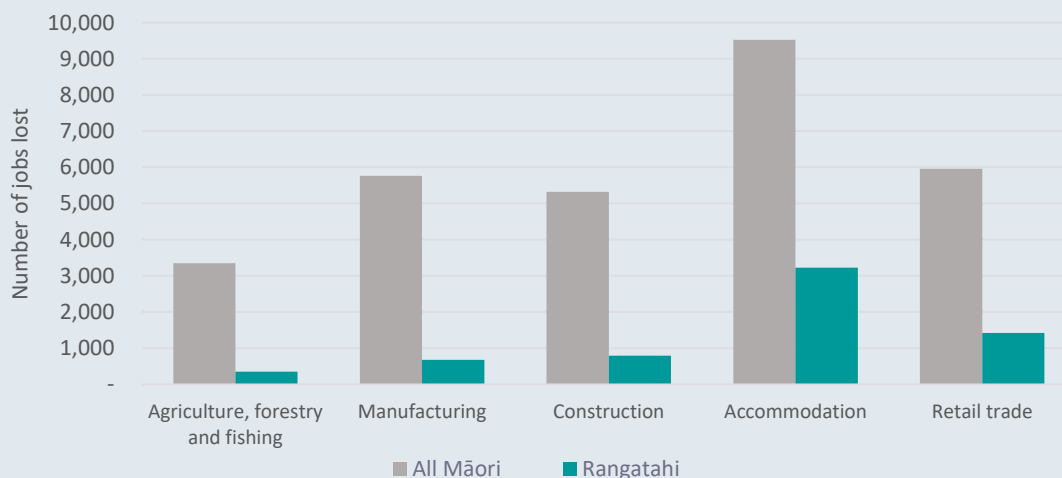


Wāhine and Rangatahi

Top 5 most impacted industries – Tāne Māori and Wāhine Māori



Top 5 most impacted industries - All Māori and Rangatahi Māori



Key findings

- Wāhine Māori comprise **48%** of the total Māori labour force (**157,400** of **329,200**).
- Wāhine Māori in the **accommodation and food services** industry are projected to experience the highest increase in unemployment at the peak (**6,100** of **13,300**).
- This represents a decline of **29%** (**6,100** of **20,700**) of total Māori employment in the **accommodation and food services** industry.

Key findings

- Rangatahi Māori (15-24 years) comprise **13%** of the Māori labour force (**41,600** people of **329,200**).
- Rangatahi Māori in the accommodation and food services industry are projected to experience the highest increase in unemployment (**3,200** of **7,000**).
 - This represents a decline of **16%** (**3,200** of **20,700**) of total Māori employment in the **accommodation and food services** industry.

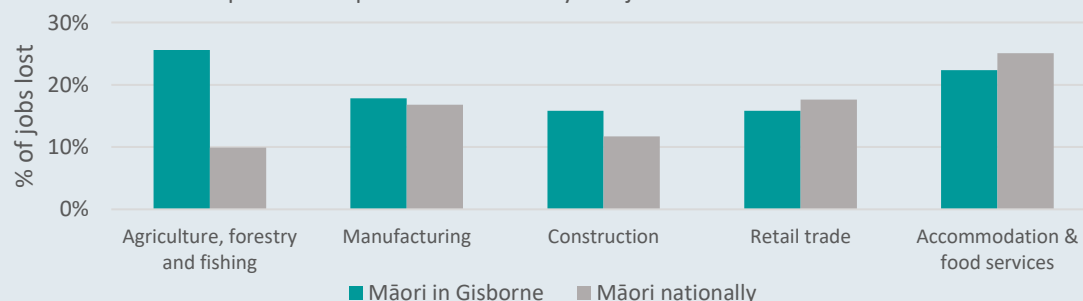


Main urban centres and regional locations

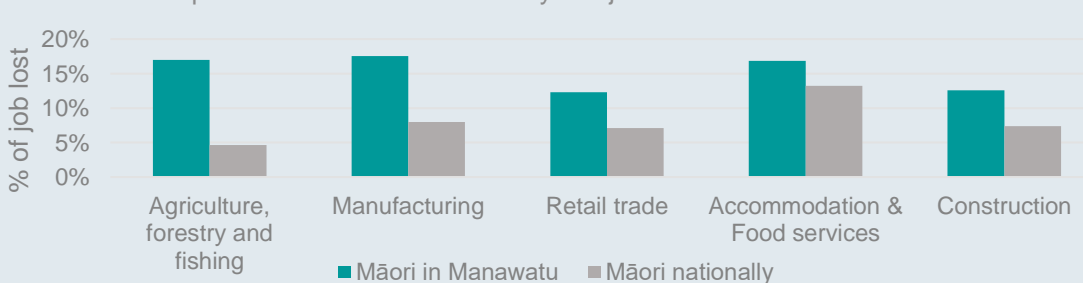
Top 5 most impacted industries by lost jobs - Māori in Auckland



Top 5 most impacted industries by lost jobs – Māori in Gisborne



Top 5 most affected industries by lost jobs - Māori in Manawatu District



Key findings

- In urban centres such as Auckland and Christchurch, the workforce is **(10%)** and **(8%)** respectively Māori, respectively. This is considerably less than in regional areas such as Gisborne **(46%)**, Far North **(41%)**, Manawatu **(14%)**.
- While the urban areas of Auckland and Christchurch share a similar profile of most impacted industries for Māori, namely **accommodation and food services** and **retail trade**, the biggest falls in Māori employment in rural areas have been in the **Agriculture, forestry and fishing** and **manufacturing** sectors.
- **Auckland** is hardest hit in the accommodation and food services sector, with Māori in Auckland losing **2,200** of **4,900** jobs at the peak.
- In **Gisborne**, agriculture is impacted significantly – even though overall it is a robust industry – with Māori in Gisborne losing **250** of **2,100** jobs at the peak.
- In the **Manawatu District**, the largest effects come from manufacturing industry – with Māori losing **40** of **260** jobs and agriculture and forestry and fishing industry – losing **40** of **340** jobs at the peak.



Regional impact analysis - Key findings

The faster than anticipated move to Alert Level One has meant that the residual impact of the COVID-19 shock is stronger in those industries exposed to tourism and international markets (either through demand or supply channels), in particular: **accommodation and food services, retail trade, manufacturing, and construction.**

Top 5 industries with the largest increase in Māori unemployment– June 2020

Industry	Te Tai Tokerau			Tāmaki Makaurau			Waikato-Wairiki		
	Total Māori employment	Increase in unemployed Māori	Industry rank	Total Māori employment	Increase in unemployed Māori	Industry rank	Total Māori employment	Increase in unemployed Māori	Industry rank
Accommodation & food services	1,500	700	1	4,900	2,200	1	5,200	2,400	1
Retail trade	2,300	400	4	7,400	1,200	3	7,700	1,300	4
Construction	2,000	400	2	5,800	1,200	4	6,700	1,400	3
Manufacturing	2,200	300	5	8,700	1,400	2	9,000	1,400	2
Agriculture, forestry, and fishing	3,200	400	3				9,200	1,100	5
Wholesale trade				5,500	900	5			

Industry	Ikaroa-Rāwhiti			Te Tai Hauāuru			Te Waipounamu			New Zealand Overall		
	Total Māori employment	Increase in unemployed Māori	Industry rank	Total Māori employment	Increase in unemployed Māori	Industry rank	Total Māori employment	Increase in unemployed Māori	Industry rank	Total Māori employment	Increase in unemployed Māori	Industry rank
Accommodation & food services	1,800	800	1	4,500	2,000	1	3,000	1,400	1	20,700	9,500	1
Retail trade	2,900	500	5	6,400	1,100	2	4,400	700	4	31,000	5,100	4
Construction	2,400	500	4	4,900	1,000	4	4,400	900	2	26,100	5,300	3
Manufacturing	4,700	800	2	6,400	1,000	3	5,000	800	3	36,100	5,800	2
Agriculture, forestry, and fishing	5,800	700	3				4,000	500	5	27,900	3,400	5
Transport, postal and warehousing				3,100	500	5						



Methodology

Workstream 1: Model baseline and employment shocks from COVID-19

Methodology

An initial baseline of pre-COVID-19 employment and wage dynamics for Māori in the workforce was developed so that the impact of COVID-19 could be compared to this baseline.

The analysis then estimated the economic 'shocks' that COVID-19 would have on each industry in the economy. The shocks took the form of a percentage of the production that could not occur as a result of the restrictions at each alert level.

These shocks were fed into a Computable General Equilibrium (CGE) model of the NZ economy in order to estimate the economic impact of both the shocks and the 'second-round' impacts on the economy (the flow-on impact caused by the initial shock).

Data sources

The data used to calibrate the model's baseline (pre COVID-19) data included:

- Employment by industry for Māori and non-Māori using 2013 Census overlaid with updated 2018 Census data split by: region, gender, age and qualification.
- 2019 HLFS: Average weekly earnings by industry, age and qualification.

Economic shocks for each industry were calibrated against a number of data sources to estimate output as a result of changes to: permitted or prohibited activity at each alert level, international visitation, international trade, and export price levels.

Outputs

1. Baseline unemployment impact: Direct unemployment projections on the Māori population as a result of COVID-19
2. Unemployment impact on affected industries (e.g. construction, tourism, hospitality)
3. Impact on real wages: Wage penalty experienced by the unemployed as a result of separation from the labour market.

