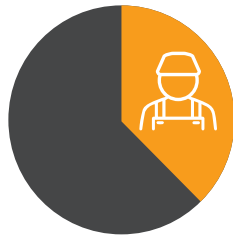


# The Service sector is essential to the economy<sup>1</sup>

The Service sector workforce is undergoing a period of significant change. The impacts of COVID-19 have been profound, with major service disruption, job loss, and new pressures for businesses and people across the sector. As we emerge from the acute disruptions of the past two years, businesses that remain are faced with significant labour shortages. Many people previously employed in the sector have moved into other industries, young kiwis are taking long overdue OEs, and overseas migrants are yet to return. In this new environment, it is more important than ever before for businesses to actively focus on developing their workforce.

**OVER ONE THIRD** of all workers in New Zealand work in the Service sector.



Employing around **924,000** people in 2021

The Service sector contributes over

**\$100 Billion+**



per year to New Zealand's Gross Domestic Product (GDP), or just over 30% of the total GDP.

↓ **1.1%** in 2021

The contribution from the sector to New Zealand's GDP fell in 2021 by 1.1%, which is the first fall in contribution since 2009.

**60%**



**Over 60% of the Service sector kaimahi are employed in businesses covering Retail & Distribution services, Hospitality & Food services, and Business & Professional services.** While the number of people working in the sector has grown every year from 2011-2020, in 2021, employment fell by 1%. Losses were heavily concentrated in the Tourism and Aviation industries, where the lasting effects of COVID-19 will likely be felt for the longer term.

There are

**292,000**

Service sector businesses in New Zealand, representing around half of all businesses in the country.

These businesses employ an average of 3.2 people.

They are predominantly small businesses, with almost half of all business owners in the sector being self-employed.



**39%** in Auckland



**12%** in Canterbury



**11%** in Wellington

**Around 39% of Service sector businesses are located in Auckland, 12% in Canterbury, and 11% in Wellington.** Employment in the sector is over-represented – relative to the whole New Zealand economy – in Auckland and Wellington – and underrepresented in all other regions.

<sup>1</sup>Infometrics 2021 data was used in this section. While we acknowledge that this data may not be complete or accurate – especially with regard to Māori and Pacific – it is the most accurate data we have available at this point in time.

### The Service sector workforce is young and diverse

When compared to the general population, young people are over-represented in the Service sector. Youth (15 to 24-year-olds) represent more than 20% of the service workforce (36% in hospitality and 27% in retail), but many work part-time. This emphasises the key role that Service sector jobs play in the start of working life for many rangatahi. While there are fewer older workers in the Service sector overall, Real Estate & Rental Services, and Business, Professional & Personal Services are the exception to this.



The percentage of Māori and Pacific in the Service sector has been growing over the past ten years, in line with growth in both groups in the overall New Zealand workforce. We expect this trend to continue in the coming years with Māori and Pacific making up an increasing share of the New Zealand workforce.

Around 114,000 of workers (12.8% or slightly fewer than in the overall population) are Māori and almost 7% are Pacific (about the same as in the population). Proportionally higher numbers of Māori and Pacific can be found in Contact Centres and Industry Support services and Cleaning services. Asian workers are more highly represented in the Service sector (at 19.4% of workers) and particularly in Hospitality, Cleaning, Travel and Retail sectors.



Almost 55% of workers in the Service sector are women; for some of our industries (like Tourism & Travel and Hospitality & Food services) it is much higher.



### Productivity and lower wages are a challenge for many Service industries

Productivity in the Service sector was \$125,000 per full-time employee, compared with \$140,000 per employee in the overall economy. Average annual earnings in 2020 in the Service sector were \$60,000 per worker, compared to \$64,000 per kaimahi in the overall population. However, earnings growth has been slightly higher in the Service sector than in the overall economy. Cleaning, Hospitality and Food services workers on average earn \$30,000 less than the New Zealand average and these Service industries have very low productivity rates. Aviation & Airport services and Financial & Advisory services, by way of contrast have very high productivity rates and incomes more than \$30,000 above the New Zealand average.