

Locked out in a perfect storm? What's behind the youth employment crisis?

The slow economic recovery has made employers cautious about investing in capital – and in people. Uncertainty about AI has heightened hesitancy about hiring new labour market entrants and has left young people unsure of the value of their investment in education and training. Long-standing weaknesses in the link between education and training and the labour market have left young people increasingly poorly matched to available jobs, and rapid technological change is worsening this mismatch. Unhelpfully, government policies have been at odds with labour market conditions. An unusual and complex mix of cyclical and structural factors calls for a strategic mix of employment support and a long-term strategy.

Labour market statistics paint an unusual picture of crisis for young people

Youth unemployment, underutilisation and Not in Education, Employment or Training (NEET) statistics have been heavily covered in the media through 2025 and 2026 for good reason. New Zealand's labour market has weakened in recent years, with unemployment rising across the population, and a particularly pronounced deterioration among young people.

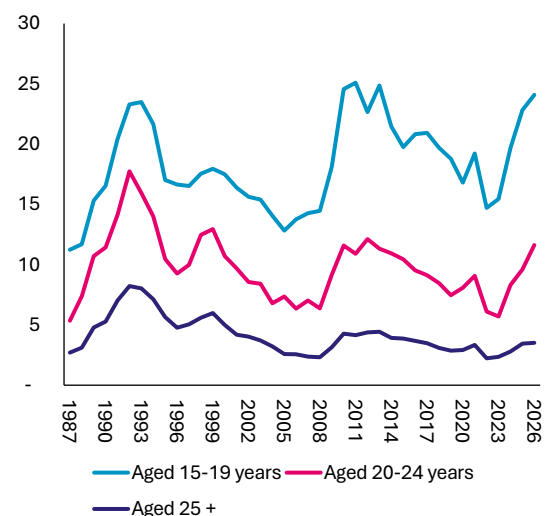
Figure 1 shows unemployment rates for 15–19- and 20–24-year-olds alongside the general rate since 1986. In June 2026, the unemployment rate was reported as:

- 25.3% among 15–19-year-olds
- 12.0% among 20–24-year-olds
- 3.5% among those 25 years and older.

That means the unemployment rate for 15–19-year-olds is roughly seven times the rate for those aged 25 and over, while the unemployment rate for 20–24-year-olds is more than three times the rate for those aged 25 and over.

Figure 1 Unemployment rates

Percent of labour force by age group, year ending June



Source: Stats NZ

Young people have always been more exposed to downturns because they have less experience, shorter tenure and are more likely to work in cyclically sensitive industries. The 15–19 unemployment rate rose above 20 percent in the early 1990s and again after the global financial crisis (GFC), while the 20–24 unemployment rate reached nearly 20 percent in the early 1990s.

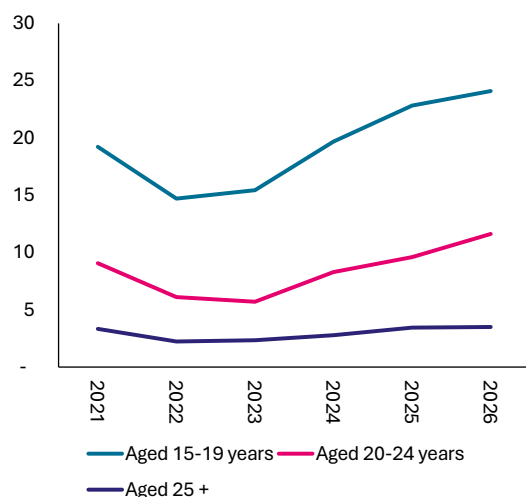
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However, the current situation is strikingly different. The 15–19 unemployment rate is now close to its previous historical highs even though the overall unemployment rate remains well below the levels reached in the early 1990s.

The post-COVID story has been a labour market roller coaster for young people, while the unemployment rate for people aged 25+ has remained stable and low (see Figure 2).

Figure 2 Unemployment rates 2021–2026

Percent of labour force by age group, year ending June



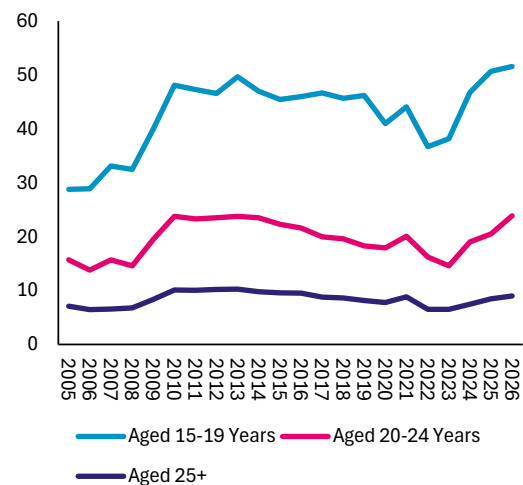
Source: NZIER based on Stats NZ data

Youth unemployment has reached a crisis level without an economy-wide unemployment crisis. The lack of a shared problem is likely one reason that youth unemployment hasn't had the pre-election attention that it might normally attract.

While rising unemployment indicates that more young people are searching for work and cannot find it, underutilisation rates go further: they count work-seeking among both unemployed and employed people, reflecting that even those in work may not be able to get the amount of work they want or need. Underutilisation was 37.1 percent for 15 to 24-year-olds (53.8 percent for 15 to 19-year-olds), compared with 13.4 percent overall.

Figure 3 Underutilisation rates

Percent of labour force, by age group, year ending June

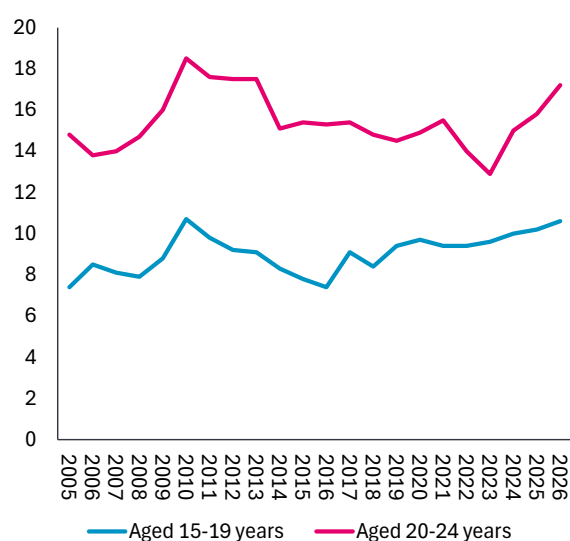


Source: NZIER based on Stats NZ data

The NEET rate, which shows the share of 15 to 24-year-olds not in employment, education or training, has risen from around 13 percent for 20–24-year-olds in 2023 to around 17 percent in 2026, approaching the levels seen after the GFC. The increase among 15–19-year-olds has been smaller, although the rate has also trended upwards in recent years and is now on a par with the rate seen during the GFC.

Figure 4 Youth NEET rates

Percent of youth, by age group, year ending June



Source: Stats NZ

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All of these measures are high by recent historical standards.

Stats NZ LEED data describes the flow of workers into jobs as “accessions”, which also shows the change in labour market conditions for young people. An accession occurs when an employee starts a job with an employer who they were not employed by in the previous quarter – what could be described as new employment situations.

Table 1 shows that youth accessions fell more sharply than accessions for older workers – with an especially pronounced drop among 15–19-year-olds (a drop of over 32 percent). Overall, accessions dropped by 27 percent for young people (aged 15–24) and only 22 percent for older people.

The data is worse than it looks on the surface, because young people tend to require more accessions over a period of time due to the need to balance work and education, which can often mean the same job cannot be maintained throughout a 12-month period.

Table 1 Percentage change in accessions by age group, June 2023 to June 2025

Age group	Percentage change
15–19 years	–32.1%
20–24 years	–22.6%
25 years and over	–22.0%

Source: Stats NZ

Wage scarring is an important consequence of early unemployment

Youth unemployment matters not just because of the immediate impacts on incomes. Numerous studies have shown that unemployment of young people who enter the labour market during cyclical downturns involves long-term costs:

- A 2021 report concluded that economic shocks scar individuals’ labour market outcomes for up to a decade (Sense Partners 2021).

- A British study that tracked a cohort to age 42 estimated that early unemployment left a wage scar of 13–21 percent at age 42, which would only be reduced by 9–11 percent for those who avoided further unemployment (Gregg and Tominey 2005).

What’s going on behind the headline numbers?

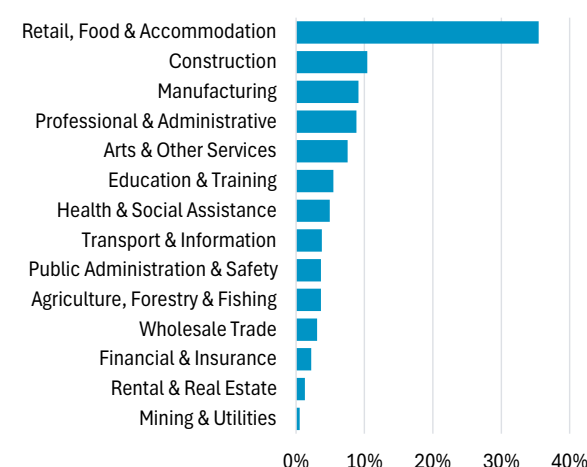
The patterns in the data strongly suggest an unusual set of drivers. In the next sections, we look at where young workers have lost ground, outline the government’s response so far, and point to possible drivers that could improve the response.

Young people have lost ground more in gateway industries

Industry-specific data shows that retail, food and accommodation is a particularly important industry for young people, accounting for 35 percent of jobs held by young people. It is followed by construction (10 percent), and professional and administrative as well as manufacturing (both 9 percent). These are gateway industries for young people.

Figure 5 Young adult share of employment, by industry

Percent of jobs filled by 15–24 year olds



Source: Stats NZ

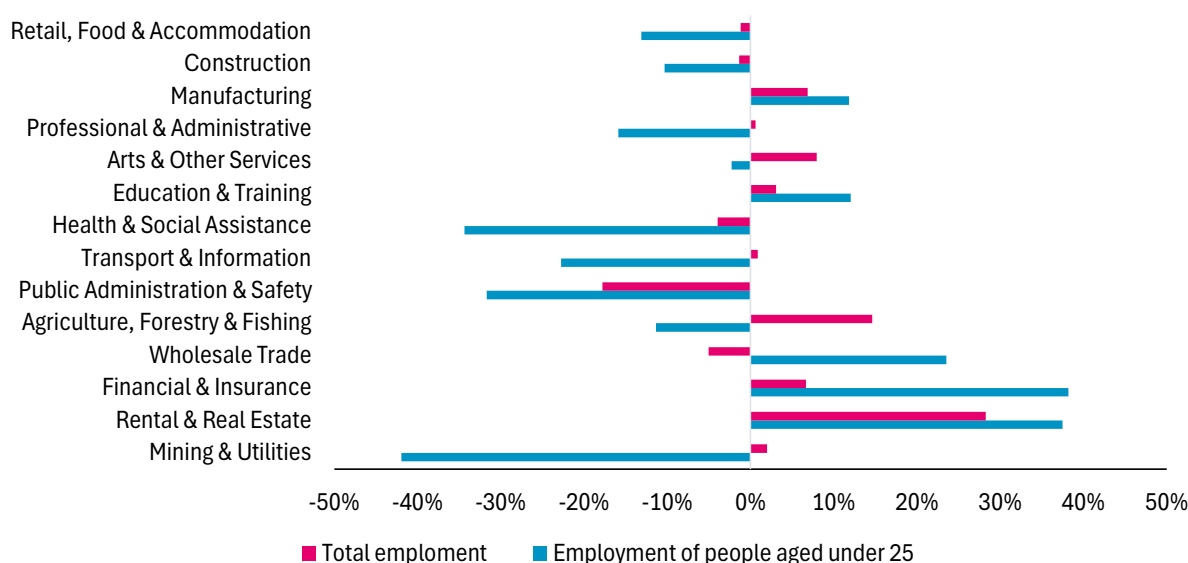
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But the data also shows that Retail, Food and Accommodation is where young people have lost the most ground, with a 13 percent reduction since 2023. Professional & administrative and construction show 16 percent and 10 percent declines, respectively,

while manufacturing has grown slightly in its share of young people. Patterns of reduced employment among young people do not always reflect an overall reduction in employment.

Figure 6 Percentage change in employment of young people, by industry compared with overall change

Change in percentage of jobs filled, 2023–2026



Source: Stats NZ

The government's response to the problem so far

Incentives

The main response so far has been to tighten access to income support. From November 2026, single 18- and 19-year-olds will only be eligible to receive Jobseeker Support if their parents' combined income does not exceed \$67,225, or they can't rely on their parents (Work and Income 2026).

Ministry of Social Development's (MSD's) analysis records the Government's view that 18- and 19-year-olds should be financially supported by their parents, and its expectation that putting the onus on parents will push young people towards work or study

(Ministry of Social Development 2025). The Prime Minister put it even more bluntly:

"I'm sorry, we're not paying your benefit... That's your parents' responsibility... You've got to get off the couch, stop playing PlayStation and go find a job"

He added that there were plenty of jobs available, such as in horticulture, a claim that received an immediate response by a leading economist (McGregor 2025).¹

The regulatory impact statement provided to Ministers indicated that more education and training services for young people was the preferred option, and that "in terms of impact on young people and their families, the costs will likely significantly outweigh the benefits".

¹ Economist Brad Olsen pointed out that horticulture offers a couple of months' work each year and that

employment among 15- to 19-year-olds had fallen by roughly 10,000 over the previous year.

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It also warned that cutting access to MSD employment services could raise the risk of long-term dependency later (Ministry of Social Development 2025a).

While no New Zealand survey of NEET young people has been conducted, the United Kingdom's Milburn review found that 84 percent of surveyed NEET young people wanted a job, education or training but experienced a range of barriers including weaker entry routes, employer caution, and challenges with automated recruitment as well as other barriers (Milburn 2026).

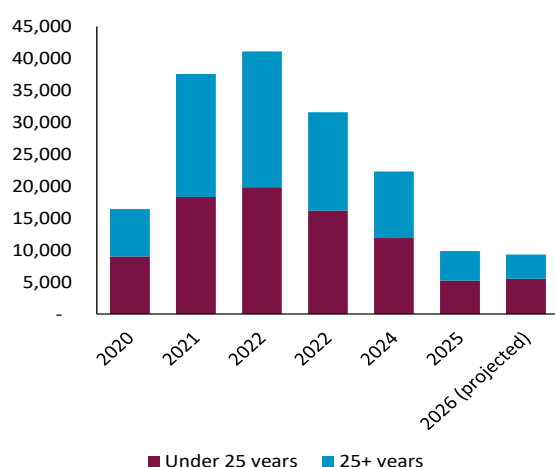
Opportunities

Incentives only work if there are opportunities. And little has been done to create those.

Apprenticeship Boost was made permanent in Budget 2024, but from January 2025 it supports first-year apprentices only (Ministry of Education 2024) and the number of learners supported fell from 25,725 in the 2024 financial year to 17,355 in 2025. As shown below, Apprenticeship Boost, was only ever semi-targeted to young adults, so the youth benefits of any new investment have to be scaled accordingly.

Figure 7 Number of people supported by Apprenticeship Boost

By age group, 2020–2026



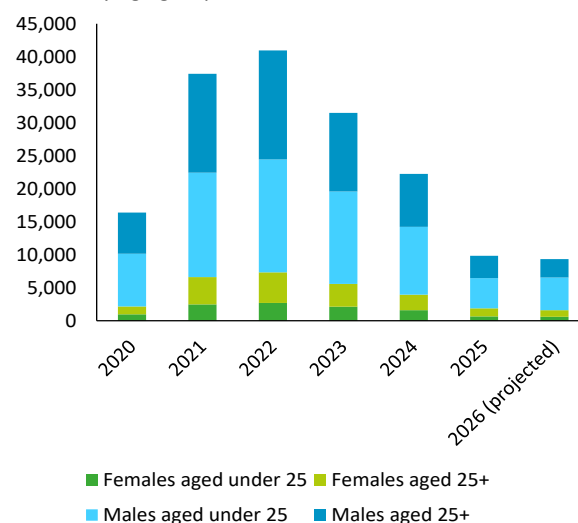
Note: 2026 totals are proportionally projected from published estimates to the end of July 2026.

Source: NZIER, based on Education Counts data

Apprenticeship Boost also has a strong focus on trades (515 people were supported in Food & Hospitality in 2025 compared with 4,010 in Building) and very disproportionately supports males (as shown in Figure 8 below), whereas females have had equal or higher underutilisation rates (as shown in Figure 9).

Figure 8 Males and females supported by Apprenticeship Boost

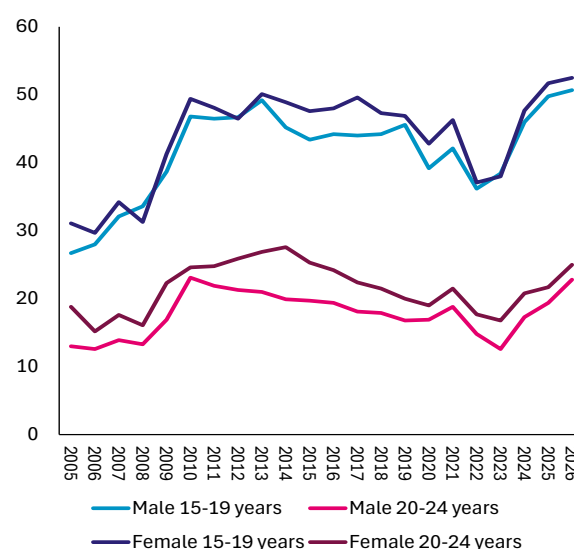
Number by age group, 2020–2026



Source: NZIER, based on Education Counts data

Figure 9 Male and female underutilisation

% of age group



Source: NZIER, based on Stats NZ Household Labour Force Survey (HLFS)

The government has also (in Budget 2026) created 1,000 additional Youth Guarantee places and doubled Trades Academy places, but these are being funded by some of the savings from ending the Final-Year Fees-Free scheme – a redistribution from one set of young people to another (notably those still in school, not the currently unemployed)².

Finally, the current government has considerably slowed the rate of increase in the minimum wage. This policy choice is likely to have contributed to reducing any potential negative impacts of earlier increases that exceeded inflation.

Policy decisions have played a significant role

The Government's broader message is that economic growth will help address youth employment. Based on its overall response, it is clear that the government has largely viewed youth unemployment as one of individual or family responsibility with a cyclical component.

Recovery from the 2023–24 downturn has been slow to reach the labour market. NZIER's *Quarterly Survey of Business Opinion* (QSBO) has recorded weak activity and cautious hiring and investment intentions for much of the past two years.

Governments usually support aggregate demand, and therefore labour demand, during a downturn by spending more. In this case, the government has done the opposite.

The Government has had a case for fiscal restraint: containing spending to ease pressure on inflation, reduce debt, and ensure fiscal policy did not undermine efforts to reduce inflation after levels of spending during and after the COVID-19 pandemic, which had been described as “too strong for too long” (Archer and Orphanides 2026).

The review of the monetary policy response found that while the Reserve Bank's initial pandemic response was appropriate, it failed

to recognise the upside risk to inflation posed by the strong recovery and lacked sufficient urgency in its ultimate response to accelerating inflation (Archer and Orphanides 2026). As a result, the economy overheated, with inflation reaching 7.3 percent and unemployment falling to an unsustainable 3.2 percent, which, in the reviewers' words, necessitated “a costly economic slowdown and unemployment”.

While there has been debate about the role of hindsight and other issues that call into question what could or might realistically have been done differently, the key takeaway is that policy decisions made during and after the pandemic resulted in a situation where actions had to be taken that imposed a significant cost on a small cohort of New Zealanders for the greater good.

While governments can politically distance themselves from the decisions of previous governments, the appropriate policy response is to treat the consequences of any government policy decisions as a shared problem, not the responsibility of the people harmed.

A cautious approach to firm investment

There have been signs of some subdued economic recovery, so why hasn't youth employment bounced back?

A NZIER Public Good Insight published earlier this year on business investment (NZIER 2026) explains that caution can persist even as conditions begin to improve. *Risky business* (Insight 127) found that firms have been operating amid heightened uncertainty, higher interest rates and tighter credit conditions, and appear to be favouring liquidity and balance sheet flexibility over long-lived investment.

The authors describe a “wait-and-see” approach, in which preserving the option to wait is valued over committing capital. They

² Although there is no evidence that the fees-free policy increased completion rates, it did reduce student debt.

also find that investment expectations are cyclical and tied to global events.

The same logic very likely applies to hiring and is supported by recent international research: Nguyen and Sila (2025) find that firms reduce hiring when uncertainty rises, particularly where the costs of reversing a hiring decision are high. Recruitment, onboarding and training costs help explain why hiring may be deferred, much like physical capital investment. Because a higher share of young people are not yet in jobs when cyclical downturns and increases in uncertainty arise, they typically bear a disproportionate share of the hiring hesitancy. Older workers may “ride out” the period by staying in a job longer than they otherwise might.

Long-term structural problems continue to contribute

A difficult transition that has never been managed

The transition from education to work has always been a challenge, contributing to higher youth unemployment even during times of strong economic growth.

The UK's Milburn review described the root cause as the lack of any clear responsibility for that transition, including no system or government agency that is accountable for ensuring young people transition smoothly from education into work (Milburn 2026)³

MSD's own analysis, presented in a 2025 Regulatory Impact Statement, notes that eligibility for most of its employment services depends on being on a main benefit rather than on being a school leaver about to hit the job market (Ministry of Social Development 2025a). No agency has responsibility for actively minimising the transition failure risk.

A 2023 Long-Term Insights Briefing, *“Preparing all Young People for Satisfying and Rewarding Working Lives”* prepared by four

government agencies, acknowledged that policies had not yet delivered system-wide change of the scale required to support best labour market outcomes for young people and that fragmentation and funding siloes contributed to the problem (New Zealand Government 2023).

Education and training are slow to respond

Even before the current crisis, New Zealand already had one of the highest rates of qualification-level mismatch in the OECD, with 53 percent of workers mismatched in the OECD's Survey of Adult Skills (Ministry of Education 2020), a result also highlighted by the Productivity Commission (New Zealand Productivity Commission 2017).

Education and training programmes take time and money to design, accredit and teach, and they are staffed by people with long-established expertise in what they currently teach. That makes them slow to adapt to changing technology and employer needs.

The Productivity Commission found that tertiary education providers have weak incentives to respond to employer feedback, and that the system is not well placed to respond to an uncertain future (New Zealand Productivity Commission 2017).

Newer structural drivers may be playing an increasing role

On top of the slow recovery and these long-standing weaknesses, two newer forces may be negatively impacting young people's transition into work:

- Technological change, including AI
- Increasing reliance on migrant workers.

Even before AI, technological change was slowly eroding traditional first jobs

Over the past decade, opportunities for young people have gradually shifted due to new technologies. Much of the entry-level service

³). The review also pointed out that for every £25 spent on benefits for young people, only around £1 was spent on actually helping them into work.

work that once provided young people with their first job has been automated or moved online. Self-service machines have progressively replaced checkout operators in New Zealand supermarkets. Commercial banks increasingly direct customers to ATMs and digital applications. Low-level clerical work has been replaced by digital self-service tools. Fast-food outlets use iPads and other screen-based technologies where young people used to work the counter, and online shopping has reduced the number of retail service roles needed.

While young people's employment is highly concentrated in retail, food and accommodation, many work in other industries, especially if they have tertiary qualifications. Many of those other industries present opportunities for remote working, which may have a more subtle effect than other technological change.

Entry-level workers have traditionally learned by working alongside senior colleagues and gradually taking on more responsibilities under closer supervision. More dispersed teams may find it harder to absorb inexperienced workers. Recent research on "remotable" jobs (jobs amenable to remote work, based on a commonly used index developed by Dingel and Neiman (2020)) confirmed that remote work reduced the amount of feedback received by junior staff and concluded that it weakened incentives to hire young workers by impeding on-the-job training (Emanuel et al. 2026).

And then came AI

Evidence on the effects of AI is still emerging and coming mostly from overseas. However, Brynjolfsson et al. (2026a) used a sample of high-frequency administrative payroll data covering millions of U. workers until June 2026 and found that:

- There was no evidence of economy-wide job displacement.
- Employment of young workers (ages 22–25) in AI-exposed occupations was 19

percent below where it would have been if it had kept pace with employment of their less-exposed peers (there was no effect on experienced workers). This employment divergence had widened steadily since it was first reported in August 2025.

- AI impacts on young people occur mainly through reduced hiring rather than through increased separations (e.g. redundancies).

A University of Auckland analysis reports that more than half of the New Zealand employers surveyed said AI was driving significant job displacement and that they were slowing or halting entry-level hiring (McNaughton 2026).

AI uncertainty may be doing more harm than AI itself

An important point is that AI does not need to be widely adopted to hurt young workers. AI's rapid pace of development creates considerable uncertainty about which skill mix an employer will need from workers, and which tasks will be able to be automated in the near future. This uncertainty can cause hiring hesitancy. The rational response to uncertainty about the required skill mix is to wait and see.

An ESCoE Discussion Paper (Reyes 2025) described AI uncertainty as fundamentally different from traditional sources of uncertainty: While conventional sources of economic uncertainty tend to resolve as conditions become clearer, AI uncertainty persists as long as the technology continues to evolve and questions remain about which tasks may be automated and which skills will be relevant. The ongoing nature of AI uncertainty, therefore, means the expected recovery of labour markets may not apply.

In its September 2026 Monetary Policy Statement, the Reserve Bank noted that the economic recovery, which had been uneven, was expected to strengthen (Reserve Bank of New Zealand 2026). However, it also said:

“...growth in activity may not flow through into additional employment as expected, particularly if businesses are relatively more focused on efficiency and technology investment in the short run”.

AI uncertainty also affects young people directly

AI uncertainty should not be minimised, because it applies to both sides of the labour market. If employers don't know what skill mix they will need in the next 2–3 years, young people can't know which skills will be needed or what opportunities will exist when they finish an education or training programme that takes 2–4 years to complete.

In a typical economic downturn, education and training can be a good investment because there is an expectation that recovery will have occurred by the time the programme has been completed. But AI uncertainty casts doubt on the expectation that the future economy will reward the investment.

News reports suggest 2026 has seen increased enrolments at universities (around 4 percent growth in enrolments), but this has been partly driven by a 9 percent increase in international students. Furthermore, the tertiary education sector as a whole has seen a continued decline in the number of people enrolled (Gerritsen 2026).

Rather than bolstering the expected returns to investment, recent government decisions have increased the cost of education by ending the Final-year Fees Free initiative and allowing education providers to increase fees by up to 6 percent in 2027 (Ministry of Education 2026).

These challenges have likely contributed to the increasing rates of young people who are NEET (see Figure 4 shown previously), which indicate that weaker youth employment outcomes have not been offset by young people moving into education or training.

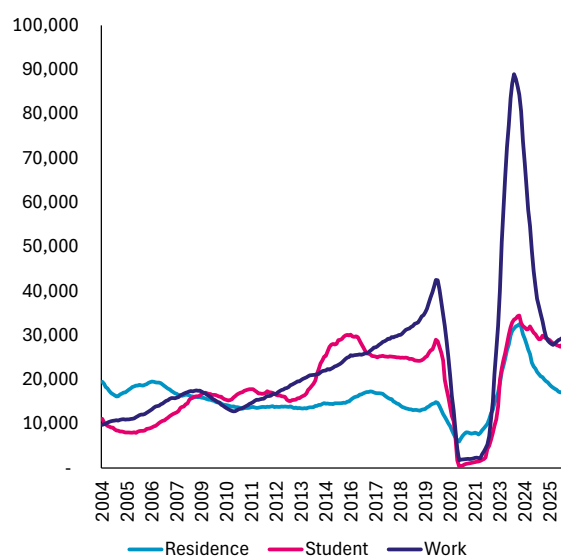
The composition of the migrant workforce has changed, introducing new risks

In their research into the effects of AI using US data, Brynjolfsson et al. (2026b) identify the timing of the AI-related employment decline as significant only from 2024 and indicate that earlier employment declines were likely to reflect other factors.

So, it's worthwhile considering what other factors have been at play in New Zealand, particularly in industries with lower AI exposure and where young people's employment is highly concentrated.

One notable labour market trend has been the increased flow of migration since the pandemic. A previous NZIER report described the change in the composition of the migrant workforce, with an increasing share being migrants on work visas (NZIER 2024).

Figure 10 Monthly arrivals by visa type



Source: NZIER, based on Stats NZ data

New Zealand has a long history of using immigration to fill gaps that education and training have not. Done well, immigration policy plays a complementary role to education and training and ensures access to critical skills when demand temporarily surges ahead of supply or when specific needs arise. Temporary work visas allow the immigration

system to flexibly meet urgent labour shortages while limiting long-term fiscal and infrastructure commitments. However, long-term reliance on migration is not a strategy for a resilient workforce.

Additionally, evidence (including a NZIER report to the Reserve Bank (NZIER 2024)) indicates that overestimating the need for migrants can harm employment outcomes in some situations even though aggregate analysis may reveal no such impacts.

The Productivity Commission's 2021 report showed that between 2012 and 2019, the number of jobs held by temporary migrants in some industries had doubled or more. Industries like retail trade, accommodation and food services had absorbed tens of thousands of temporary migrants (New Zealand Productivity Commission 2021).

While many industries like agriculture and forestry faced geographic and seasonal shortages, the retail sector informed the Commission in 2021 that "even entry level jobs require skills (such as engaging well with customers)" and they considered that "New Zealand applicants often do not have these skills", raising the question of whether the skill threshold was too low, encouraging employers to rely on migrants over providing even low-level on-the-job training to locals even though, at the time, youth unemployment was over 10 percent.

The Productivity Commission's 2022 report found some tools of the immigration system had unintended negative impacts:

- Easier access to migrant workers disincentivises employers from raising wages or investing in training locals.
- Tying migrants to a single employer can lead to negative labour market outcomes for both migrants and local workers.
- Not actively managing low-skill migration risks harming long-term productivity growth.

It concluded that concerns about displacement of local labour in the event of a future economic "shock" or cyclical downturn in the economy are warranted (New Zealand Productivity Commission 2022).

Changes to settings in 2025 allowed migrant visas for minimum wage jobs

According to the Ministry of Business, Innovation and Employment's (MBIE's) response to the Productivity Commission's report, when the Accredited Employer Work Visa (AEWV) was introduced in 2022, it was designed with a wage threshold (set at the median wage) to increase employer effort to hire from the domestic workforce and invest in training before hiring migrants. It considered that the threshold would make hiring low-wage migrant labour a "less straightforward" option (Ministry of Business, Innovation and Employment 2022).

But despite the intent of the policy, MBIE's 2025 analysis presented in a Cabinet paper indicated that there had been a significant increase in the proportion of lower-skilled workers entering the country (Ministry of Business, Innovation and Employment 2025). It also indicated that MBIE and MSD had undertaken a review and found that

"...for some sectors in 2023, there may have been displacement of New Zealanders as a result of immigration settings. This was in the context of a large volume of lower-skilled workers entering New Zealand."

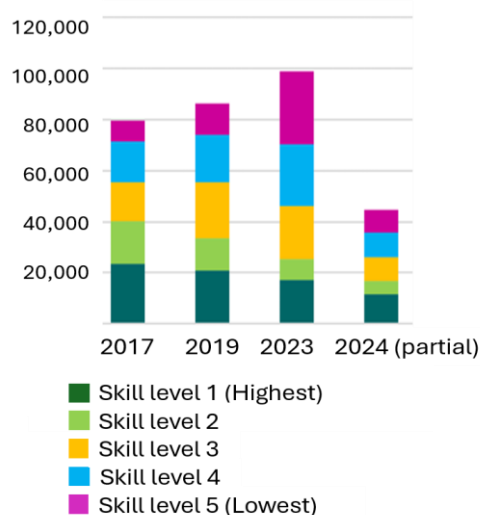
The "large volume of lower-skilled workers" was in fact more than that: It was a *growing proportion* of a *growing number* of migrants on work visas (see Figure 11).

Importantly, the skill rating on migrants indicates the skill level required for the job as assessed by Immigration New Zealand, not the person's own skill level – or alternatively, it indicates the low level of training that would be required for an unskilled local to do the same job. Therefore, it is not possible to tell from the data whether more lower-skilled migrants were entering the country or

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whether higher-skilled migrants were entering and competing with lower-skilled locals for lower-skilled jobs.

Figure 11 Migrant skill mix



Note: The data is not publicly available as an annual series, so it is not possible to extend.

Source: MBIE (2025)

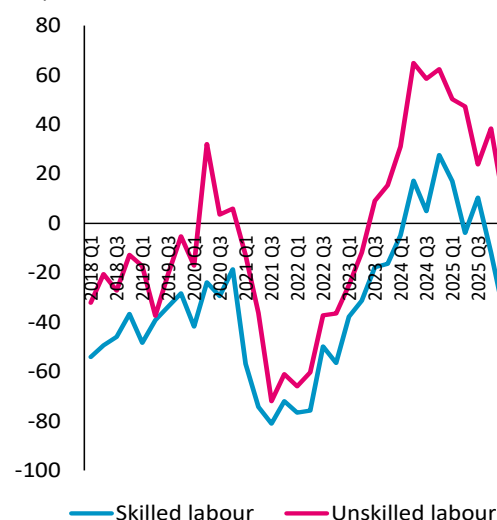
NZIER's QSBO for the September 2023 quarter showed a sharp easing in labour shortages, particularly for unskilled labour, with businesses reporting that this type of labour was becoming easier to find (shown by positive numbers in Figure 12 below).

This was a turnaround from a year earlier when over half of firms reported difficulty finding unskilled labour (NZIER 2023) (positive values indicate businesses' net assessment is that it is becoming easier). Combined with higher interest rates, reduced demand and low business expectations, this could have been taken as a clear signal to turn off the tap on unskilled migrant workers.

However, there was a pre-existing coalition agreement to loosen the AEWV by dropping the median wage threshold.

Figure 12 Changes in businesses' reported ease of finding skilled, unskilled labour

Net percent of businesses



Source: NZIER

Loosening of work visa requirements

The government's Employment Action Plan of August 2024 noted increased unemployment and even higher net migration than pre-COVID, and it described tightening migration settings at the low-skilled end as a way to help New Zealanders into work:

"The Government's focus is on supporting people into employment and reducing benefit dependency, given the negative impacts of benefit dependency on youth and households with children, as well as tightening migration settings at the low-skilled end where there are opportunities to help New Zealanders to get into work."

(New Zealand Government 2024)

A 2025 Cabinet paper (MBIE 2025) cautioned that if the median wage threshold was to be removed as per the Coalition agreement, there should still be a threshold of 10 percent above the minimum wage. The advice indicated that the 10 percent premium:

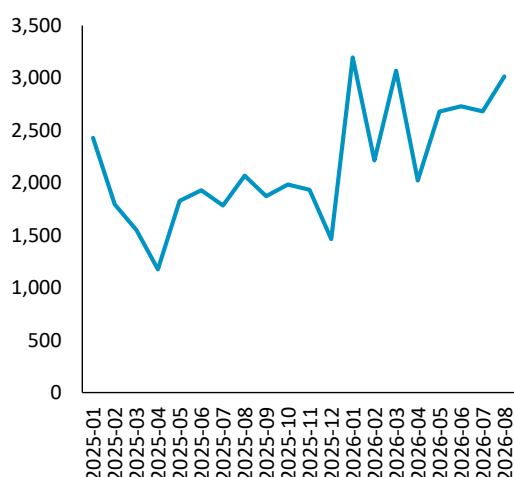
"reduces displacement risks by maintaining a modest premium on access to migrant workers and therefore the incentive to use domestic labour for entry-level roles".

But no wage threshold was maintained in the implementation of changes. In March 2025, the median wage threshold was removed altogether with no premium at all, removing any expected protection for domestic workers' access to entry-level roles (Ministry of Business, Innovation and Employment 2025).

Employers have since been able to hire migrants at the minimum wage.

The monthly number of AEWV migrants gaining working rights surged again from 1,103 arrivals in December 2024 to 3,195 by January 2026 (see Figure 13).

Figure 13 Total monthly number of arrivals on the AEWV

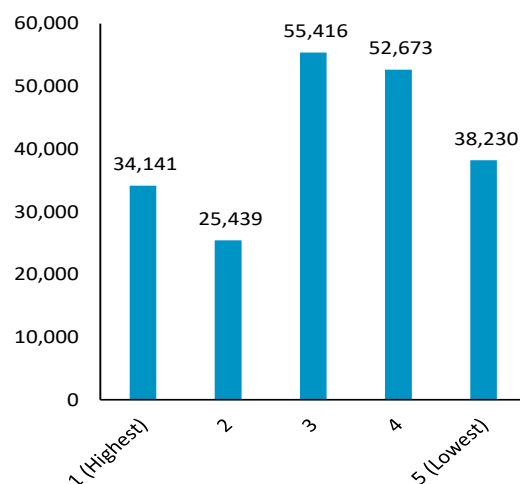


Source: NZIER, based on MBIE AEWV data

Skill levels are assigned from level 1 to 5. Level 1 are the highest skill jobs (e.g. cardiothoracic surgeon); Level 5 are the lowest (e.g. meat packer). Between 2022 and 2026, over 38,000 migrants were employed in the lowest-skill jobs, the most common being builder's labourer, with 9,835 migrants filling those jobs. There were also 2,040 fast food cooks, 1,688 kitchen hands, and 1,356 sales assistants. And at level 4, there were 1,164 waiters – all jobs most New Zealanders think of as “student jobs” or “school leavers’ jobs”.

Figure 14 Migrants on work visas by job skill level

2022 to 2026



Source: NZIER, based on MBIE AEWV data

If employers are hesitant to hire young people, why would they hire low skilled migrants?

Migrants often place a very high value on access to the New Zealand labour market and on the pathway to residence that a work visa offers. This can mean some migrants would accept a lower-skilled job and lower pay than they would in their home country. That could mean, in some situations, skilled and experienced migrants applying for and being hired into low-skilled, minimum wage jobs where an employer has not been able to find a local worker with the skills required.

Indeed, the AEWV requires most migrants to have two years of relevant experience or a level 4 qualification (Ministry of Business, Innovation and Employment 2025), even for minimum wage jobs, whereas many New Zealanders applying for such jobs may have no experience or qualifications at all.

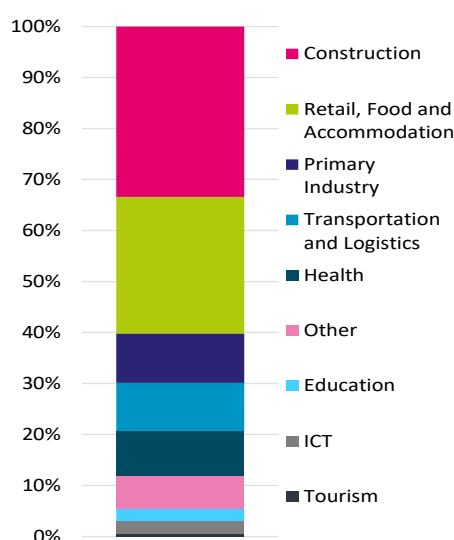
Unscrupulous employers have also found the work visa settings advantageous, as evidenced by numerous reports of migrant exploitation, including cases of migrants paying up to \$60,000 to secure a job (Employment New Zealand (2026a, 2026b, 2026c) and others).

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A breakdown of the AEWV holders who arrived between 1 July 2023 and 3 September 2026 shows that migrants heading to jobs in Construction and Retail, Food and Accommodation⁴ topped the list, with nearly 47,000 and over 22,000 arrivals, respectively.

Figure 15 Number of AEWV migrants arriving by industry

1 July 2022–3 September 2026



Source: NZIER, based on MBIE AEWV data

An independent review of the administration of the AEWV scheme reported in 2024:

“While it was unscrupulous employers who exploited migrants coming into the country, Immigration New Zealand could have, and should have, done more to minimise the risk of that happening.”

(Public Service Commission Te Kawa Mataaho 2024)

AEWV are only one work visa type

While the AEWV scheme has been a focus of policy change and media interest, the data doesn't tell the whole story because the AEWV is only one type of temporary work visa.

We compared Household Labour Force Survey (HLFS) data and the MBIE Migrant Employment Data on holders of all migrant work visas to assess how changes in youth employment stack up against changes in employment of migrants on all types of temporary work visas.

Figure 16 shows that the picture is mixed. Some industries clearly expanded in their employment of both young people and migrants. Some had small and mixed changes. However, two gateway industries stand out:

- While the construction industry has attracted a large inflow of AEWV migrants, it has not significantly increased its employment of migrants on work visas overall. But it has held its overall employment of migrants on work visas fairly constant while significantly reducing its employment of young people.
- Retail, Food and Accommodation dramatically expanded its employment of migrants on work visas while simultaneously dramatically reducing its employment of young people.

The data suggests Construction and Retail, Food and Accommodation have significantly altered the composition of their workforces over the last few years in a way that has favoured migrants over young people. Retail, Food and Accommodation has done so to a greater extent.

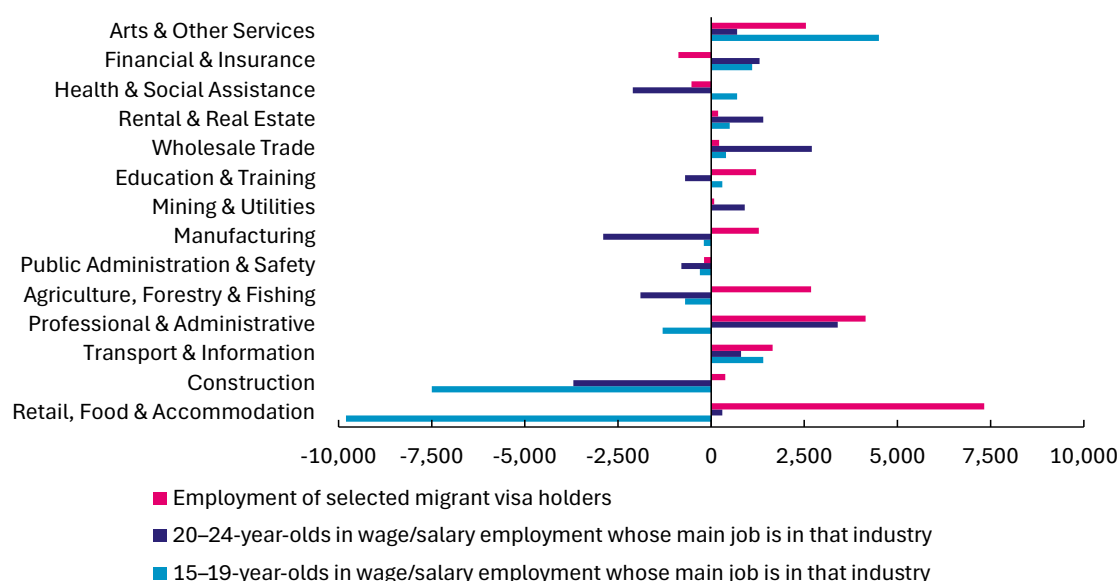
Gateway industries' reliance on migrants is important because young workers' employment is concentrated in these industries, as shown previously. They are where many young New Zealanders take their first steps onto their career ladder, so close attention to these industries is needed to ensure an abundance of migrant workers offering higher skills and more experience for the same wages isn't eroding the bottom rung.

⁴ We have combined the original AEWV Data Report industry categories “Retail” and “Hospitality” to create this industry category, to ensure consistency between

datasets due to some separating retail trade from food and accommodation services while others do not.

Figure 16 Changes in employment of young people and migrant work visa holders

June 2022 to June 2025 difference by industry



Note: Includes all Work category visas. Student, resident, and other categories are excluded.

Source: NZIER

Weathering a perfect storm

The interplay of all of these factors is complex, and there is more to the story that we have not covered here. Importantly, the flow of migrant workers cannot simply be shut off on the grounds that it will make a difference to youth employment: The causal relationship is too uncertain, and the costs of a blunt response would be too high.

However, it's important to note that the expected symptoms of these issues have been described elsewhere: Entry-level roles being seniorised by demands for higher level skills that entry level workers would not normally have or a requirement of previous experience (Edmunds 2026), resulting in what the UK's Milburn review described as an entry-level Catch-22, in which young people are required to have experience but have few opportunities to gain it (Milburn 2026).

"My concern is that, if employers focus only on the immediate cost saving, they may create a much larger long-term problem."

(Edmunds 2026)

The risks presented here have the potential, at least, to create a perfect storm that could leave young New Zealanders out in the cold in a way that a cyclical upturn may not improve.

Higher rates of unemployment, underutilisation and NEET mean that more young people will spend long periods out of work. They will miss the chance to gain experience, build skills, earn income and begin saving, including the early KiwiSaver contributions that compound over a lifetime.

The consequences of this play out across the economy as well as at an individual level. The underutilisation of young workers creates a future liability: a generation that is less experienced and potentially less productive, likely less mentally and physically healthy, and less economically secure than their parents. Pacheco and van der Westhuizen (2016) estimated the short-run cost of each NEET young person at \$21,969 over one to three years in forgone output and public finance costs (identified as low estimated due to many unquantified costs).

A resilient economy needs a strategy for a resilient workforce

Current labour market conditions for young people are a serious problem that cannot be left to resolve itself. Solutions to both cyclical and structural problems are needed. Most immediate is the need for support to enable young people who are currently unemployed into work to minimise the long-term costs.

But the Government should be thinking more strategically than that.

With structural changes likely to result from AI adoption and other ongoing technological change, and with existing and known challenges in education, training and immigration, New Zealand needs a coherent workforce strategy to improve long-term economic resilience.

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This Insight was written by Sarah Hogan and Daniel Hamill at NZIER, October 2026

For further information please contact Sarah Hogan at sarah.hogan@nzier.org.nz or 021 1456159

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NZIER | (04) 472 1880 | econ@nzier.org.nz | PO Box 3479 Wellington

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