



Local Insights Report

Auckland interim Regional Skills Leadership Group

September 2020



Introduction

This report provides an overview of the current labour market in the Auckland region from the members of the interim Auckland Regional Skills Leadership Group (iRSLG). It focuses on the impacts of COVID-19 on the local labour market and is based on interviews with iRSLG members.

The purpose of this report is to assist Government agencies and local stakeholders with planning and development of appropriate labour market responses.

The majority of interviews with members were undertaken between 11 and 14 August, just as the second COVID-19 Alert Level 3 lockdown period was announced and implemented.

Overview

- There was a massive impact on supply chains and workforce as Auckland re-entered Level 3 and regional border controls were implemented.
- Hospitality, retail and tourism were most impacted by the first lockdown. Businesses that were just starting to get back on their feet are now being significantly affected through Level 3.
- The impact on the workforce has been widespread, but disproportionately affected Māori, Pasifika, youth and women.
- There has been a large shock for those industries that have been reliant on migrant workforce, including hospitality and construction.
- Changes from COVID-19 are here to stay. Use of technology and online channels has accelerated. Corporates are considering where their workforce will be located in the future – remaining in the city centre or working from home or suburban hubs.
- There is an opportunity to invest in soft skills – work readiness and adaptability – and in upskilling to meet the demand in construction, digital and manufacturing.
- Small whanau businesses have been hit hard.
- Some occupations with technical skill shortages are looking at ways to retain displaced workers within their industry, even if this means working in other localities or regions where there is currently more demand for their skills.
- Mental health and wellbeing concerns climbing in Level 3.
- Small and medium-size enterprises (SMEs) do not have the capacity to find and access support if they need it, or to plan and invest to develop and upskill their staff if they are fast growing.
- Seeing strong demand in health, technology, and construction and some manufacturing, including health and food and fibre. Some see the medium term outlook as good for the construction and screen industries.

Current regional labour market challenges

A wide range of sectors in the Auckland region have been affected by the impact of COVID-19. Those most affected so far include tourism related sectors such as hospitality, retail and accommodation, as well as customer facing services. This is particularly evident in the city centre where there is a large number of service businesses reliant on international visitor spend. The airport precinct is similarly affected, with a downstream impact on the South Auckland labour market.

Other sectors are facing significant challenges. Construction is facing uncertainty in terms of the timing of large scale projects, and transport sectors are particularly susceptible to border closures and lockdowns. COVID-19 is occurring at a time when parts of the manufacturing sector were already automating their production processes, reducing demand for labour and requiring upskilling for the remaining roles.

Data since the onset of COVID-19 generally shows an overall slowing down in economic activity in many sectors, and the Auckland Tourism, Events and Economic Development agency's (ATEED) report on its '[Covid-19 Business Survey Wave 3](#)' in July 2020 provided plenty of illustration of the negative economic impact in Auckland. However, prior to the re-imposition of the level 3 lockdown, the feedback received via the development of this report painted a picture of a mixed recovery, with some firms reporting good volumes of work while others in the same sector reporting significant drop-offs in demand. While Māori, Pasifika, young people and women continue to be disproportionately represented in job displacements, there are widespread impacts on many occupational levels. This will be an area of continuing interest for this group.

Workers displaced from industries such as commercial airlines and tourism-related companies, are seeking employment in sectors such as supermarkets. This is increasing competition for jobs in a sector that has traditionally provided employment for less skilled workers and is reducing employment opportunities for some lower skilled workers, including those with disabilities.

While there are some programmes to support workers and businesses impacted by COVID-19 and the associated lockdowns, more mechanisms are needed to ensure that all affected businesses and workers are fully aware and able to access these supports. Small businesses often lack the capacity to know support is available.

Many currently available job seekers who are new to the workforce or who have been away from the workforce for some time are lacking the skills being demanded by employers or may lack the soft skills that are necessary to be fully work ready. In some cases, it may take six to 12 months for someone to develop the necessary soft skills. Some of this training may be delivered by employers but more support to expedite the acquisition of 'work readiness' skills, including basic numeracy and adaptability, is needed. The importance of adaptability has been highlighted in the last few months as the impact of COVID-19 has accelerated the pace of workplace change. Wellbeing and wider wrap-around family support is also needed in some cases to support the transition into work in a realistic and sustainable way.

The government has responded quickly to the COVID-19 crisis. Members would like to see a continued focus on simplifying processes (as shown in the roll out of the wage subsidy) and on reducing any lack of clarity in the how to access government support. For example while more

support has been provided through the Regional Business Partnership Programme, it has been suggested that it would provide stronger benefits if it were delivered with a more streamlined and customer-centric approach. A single front door for central and local government with the ability to access all business support in one place would make the uptake of these services easier for these businesses.

Uncertainty in the business environment led to a reduction in marketing campaigns, which negatively impacted some firms in the creative sector. This uncertainty also means that businesses may be reluctant to make senior appointments at this time.

Current regional labour market opportunities

Two sectors have been identified as having job growth.

The first is the health sector, including the mental health area. The health sector is largely publicly funded and has a known, growing long term demand. In some cases, District Health Boards are working with schools to promote the health sector as a career option. In other areas such as digital health, skills shortages may need to be overcome by looking at remote hiring.

The other sector is construction. While there is a concern about when some of the larger construction projects will come on stream, there does appear to be demand amongst smaller firms for experienced workers, especially those who are able to work unsupervised or can supervise others. However, a lack of industry-specific experience remains a barrier to entry in the construction sector for some. COVID-19 has also exacerbated a lack of certainty over the pipeline of upcoming work for small/ medium sized contractors.

There is a sense that there has been limited movement of displaced workers between sectors, such as from tourism to hospitality. For some people, a barrier to moving between sectors is a lack of understanding of the range of roles and career opportunities within sectors like construction and hospitality. Finding ways to recognise common transferable skills across sectors will also assist displaced workers.

Short term regional labour market opportunities and challenges

In addition to the current opportunities noted above in health and construction, opportunities in the short term for the Auckland labour market include growing the technology sector and involvement of the private sector to support and expand the capacity of the Government's managed isolation and quarantine work (MIQ). In addition, some members saw potential in a co-design process involving central government and the private sector to address COVID-19 response measures. One opportunity for a co-design approach could be to explore how MIQ work could be developed to ensure priority industries, such as the screen industry, could continue to operate, but in an appropriately safe way for the workforce and the community.

There are areas of short term opportunity in the training and support of job seekers. Training to meet short term skills requirements was identified as one area. Another was the development of a micro-credential approach to training that can provide entry qualifications that are directly targeted at the skills needed by employers. Work in the area of micro-credentialing is currently being explored in sectors such as private training providers and the social services sectors and this approach could be shared with other sectors.

We were told that some industries that rely on 'hard to fill' specialist skills may be using professional or informal social networks to develop strategies to retain workers' connections to a sector over the medium term in the face of current job displacement. Sharing learnings between sectors should be supported.

There are also opportunities to develop training in 'soft skills' that improve employability, adaptability and make these opportunities more sustainable going forward. Other types of job seeker supports including child care and transport are also seen as key to supporting entry to the labour market, particularly across the wider Auckland region where job opportunities may be further from a job seeker's home.

There are also opportunities to support SMEs to make the capability leap to the next level where they have the confidence to tackle larger projects and employ more people.

In terms of challenges, there is the inevitable impact of a significant increase in job losses, particularly when the wage subsidy comes to an end, or if lockdowns at level 3 or above continue. Some felt that the full impact may not be clear until after the Christmas consumer rush. Even for current employment opportunities, there is a significant lag between when jobs become available, and how long it takes to get workers upskilled. Any opportunities to shorten this time or more effectively anticipate demand for particular skills would be welcome.

Impact of Alert Level 3 in Auckland

Members discussed the impact of Auckland being in Alert Level 3 from 12 August at the group's meeting on 20 August and the feedback is summarised below.

Calls to business and union helplines are back to the levels experienced at Level 4 lockdown. Workers are concerned about losing wages and sick pay entitlements. For some people getting tested has meant a day off work. A day's lost wages has huge impact for families. Businesses are trying to find information and advice on the support available, the wage subsidy extension, staff sick leave and interpretation of Level 3 rules for their operations.

Level 3 has advanced business downsizing and redundancy decisions, which initially was expected to occur when the wage subsidy ended. It has also delayed planned business investment and new employment opportunities.

There was a sense that this lockdown feels different. This may be an acknowledgement that for the foreseeable future we will need to continue to be prepared to respond to a COVID-19 wave to some degree (local, regional, or nationwide) - it is a part of the new landscape.

There are heightened anxiety, stress and mental health concerns. Business owners are facing reduced revenue and cash flow constraints. Staff are anxious about their jobs, income reduction, whanau and the struggles that come with balancing working from home and childcare. A mental health support service reports that mental health concerns remained elevated after lockdown and have now stepped up further since re-entering Level 3. There are

examples of larger corporates placing emphasis on supporting staff wellbeing during Level 3. With limited resources, it can be more difficult for SMEs in this space.

We have seen a well-rehearsed response from business and community organisations. Relationships that were formed or strengthened during the first lockdown have served the community sector well this second time around. Pasifika and Māori community-based organisations have moved swiftly in response to requests for support, including food and hygiene packs.

Many workers are working from home, but inconsistent messaging around border rules has caused significant issues for business and their employees.

Trade Union representatives on the iRSLG reported a concern that many workers in Auckland are not receiving wages or special leave if they cannot work under the second level 3 lockdown. It appears that many (some major) employers are not applying for wage or special leave subsidies this time around.

The effect of this is that workers are having to use sick and annual leave in order to get paid, with some being required to take up to 20 days annual leave in advance. This means these workers will return to work with no sick leave or annual leave balances and will have to take unpaid leave if they wish to take time off over Christmas / New Year 2020/2021. In addition, those who fall sick and need to stay home over the next year will be under financial pressure to go to work sick (against health advice) in order to be paid.

Feedback relating to specific sectors:

- 58 percent of Auckland members of the Restaurant Association are open in Level 3. Turnover is down on average 64 percent. Twelve percent of Auckland members are considering permanently closing their businesses over the next 30 days.
- Construction companies have pivoted and adapted operations. Upcoming employment opportunities in the sector include 500-600 workers through labour hire on the City Rail Link project from September.
- Whanau Ora providers are seeking to bring on more staff.
- With the impact on the screen sector, production companies are seeking similar support to that provided to the tourism sector.
- Large industry competitors in the hospitality sector are working together on common operating standards and applying lessons from the first Level 3 lockdown.
- Members of the group were interested in understanding what training and skills support is available for the security workforce at managed isolation facilities.