



Local Insights Report

Manawatū-Whanganui interim Regional Skills Leadership Group

September 2020



Introduction

This report provides an overview of the current labour market in the Manawatū-Whanganui region from the members of the interim Manawatū-Whanganui 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 identify Manawatū-Whanganui's immediate labour market challenges and opportunities, and support Government agencies and local stakeholders in their decision making and workforce planning.

Interviews with members were conducted with 15 members between 17 August and 9 September.

Key Themes

The key themes of this Report are:

Challenges

- Labour market demand remains strong throughout the Manawatū-Whanganui region
- Part-time and casual employment opportunities are diminishing
- 'Essential worker' roles are anticipated to become increasingly competitive
- It is unclear whether sufficient supports are in place for vulnerable workers to retrain, or become work-ready
- There is a propensity to view large-scale infrastructure projects as the region's labour market solution
- There are concerns about the future impact of COVID-19 on the tourism industry of Ruapehu
- COVID-19 has likely worsened inequity across the Manawatū-Whanganui region

Opportunities

- COVID-19 protocols provide an opportunity for efficiency and productivity gains
- The uncertainty posed by COVID-19 provides opportunity to reconsider the notion of a 'career'
- COVID-19 has illustrated how the region could leverage its geographic and infrastructural advantages
- COVID-19 has illustrated that addressing existing social issues is critical to labour market recovery

Short-term outlook

- Having successfully weathered the immediate economic challenges posed by COVID-19, relative to the rest of New Zealand, there is cautious optimism about the future labour market prospects of the Manawatū-Whanganui region.

Current labour market challenges

Demand for workers remains strong across a range of sectors

Labour market demand remains strong throughout the Manawatū-Whanganui region, and across a range of sectors – notably, manufacturing, logistics, and construction. The Ministry of Social Development’s Central Regional Office has supported a record number of clients into employment during COVID-19. Palmerston North currently has the lowest unemployment of any metropolitan city. The lack of migrant labour is projected to exacerbate workforce shortages in the horticultural and agricultural industries, which would ordinarily bring people in for first planting and lambing in September. Despite expecting an influx of applicants, due to displacement associated with COVID-19, employers report being unable to fill vacancies (most of which existed pre-COVID-19). This could potentially be because the region has not faced large-scale job loss (which is otherwise unrelated to seasonal flow). However, there has been a small number of instances of job loss as a direct result of COVID-19. For example, Tasman Tanning in Whanganui has let go 17 staff, due to a significant decline in demand for finished leather from the aviation and automotive industries.

Larger businesses in the region have been, in the main, well-positioned to adjust to the challenges presented by COVID-19, by restructuring and re-pivoting according to existing strategic planning. Certain businesses have done reasonably well out of COVID-19, by, for example, acquiring or outperforming less well-placed competitors. Others have been central to New Zealand’s efforts to control COVID-19. For example, Quality Safety International in Whanganui has doubled its production, manufacturing 200,000 masks a day on a 24/7 operation. There also appear to be, albeit limited, examples of businesses ‘poaching’ workers for jobs where strong demand exists (eg truck drivers).

Part-time and casual employment opportunities are diminishing

There is a sense that many small and medium-sized enterprises (SMEs) effectively hunkered down, and ‘hoped for a miracle’, during COVID-19 Alert Level 4. SMEs have expressed nervousness about hiring people within the context of these uncertain times for business. Young people, and those on low incomes, have been particularly impacted by the drying up of part-time and casual employment opportunities (particularly in hospitality and retail) – impelled by declining demand during Alert Level 4.

It is anticipated there will be increasing competitiveness for ‘essential worker’ roles

The majority of Whanganui iwi were designated essential workers during COVID-19 Alert Level 4 (eg meat, social, and healthcare workers). There is a rising fear that such roles are going to become increasingly competitive – insofar as demand across these industries is considered likely to remain strong, and afford stability during anticipated fluctuations between Alert Levels (due to the re-emergence of COVID-19). As a result, many people who have been in the same job for 30-40 years may need to compete with whānau that have moved back from overseas, or have been displaced from other industries (oftentimes with greater education and training), to retain their jobs.

Whilst unrelated to COVID-19, the imminent closure of Mars Petcare in Whanganui (in late 2020), which will result in a loss of 140+ jobs, compounds concern. Moreover, it illustrates a perpetual issue with seasonal work: there are significant opportunities for employment when business is going well, but, conversely, hundreds of people can be exited at once when things are not. The ongoing drought in Tararua, which will continue to result in reduced hours for many agriculture and manufacturing workers, similarly exemplifies this reality.

It is unclear whether sufficient long-term supports are in place for vulnerable workers

In order to secure future employment, affected people will likely need to retrain. Whilst a range of government-supported apprenticeship schemes are in place across the region to support retraining, they are largely targeted at young people, rather than those who already have considerable work experience. To complicate matters, in several sub-regions, there is an insufficient ratio of qualified staff to potential apprentices. Relatedly, opportunities for Recognition of Prior Learning are imperative. In Rangitikei, there is a sizable group of people who have obtained qualifications from overseas, which are not recognised in New Zealand. As a result, engineers are working as labourers, for example. Ultimately, financial barriers impede access to education and training, and, therefore, upskilling. If a person moves off of a benefit into study, for example, their income declines. This issue is pertinent in Horowhenua, where Māori are currently 2.5 times more likely to be unemployed, but are projected to make up a significant proportion (~40%) of the working-age population in the next five to eight years.

Employers continue to express frustration about work readiness, or lack thereof, stating that one of the main barriers to growth is a lack of skilled and talented employees. To that end, establishing pathways between school, tertiary education/training, and employment, investing in applied learning (eg via apprenticeships, taster programmes, and work experience), and supporting the development of transferable skills is vital. Further effort, so too, needs to be expended - by employers - on creating workplace cultures that are receptive to less experienced workers, and afford pastoral care (eg ensuring workers are continually educated about what is expected of them in that workplace). Fundamentally, preparing people to be work ready requires substantial lead-in time.

There is a propensity to view scheduled large-scale infrastructure projects as the region's labour market solution

The development of the Ohakea Air Force Base, Manawatū Gorge replacement highway, regional freight ring road, Turitea Wind Farm, and Countdown's new Palmerston North distribution base and store present significant labour market opportunities for the region. Whilst there are no indications at this stage that any of these projects will be deferred due to COVID-19, there is risk associated with 'living in the hope of large infrastructure projects pulling the region out of the mire'. Whilst these projects will generate fixed term jobs, most of them are relatively short-term in nature (eg 3-5 years) – where will workers go when these projects end?

Despite the promise of jobs, it is also unclear how many workers will be required, with what skills and training, for which roles, in what sub-regions, and when. In the absence of seeing these details on paper (with sufficient granularity), it is difficult to accurately map workforce supply and demand, and, in turn, address pipeline issues with any specificity. Given that training and skills development takes time, there is risk of missing the window of opportunity to develop local talent within the region to fill these roles.

Relatedly, whilst Horowhenua is not short of opportunity - and has strong cross-sectoral linkages among Iwi, Council, and the community - matching labour supply and demand is difficult for two pre-settlement iwi that face systemic capacity and capability barriers. It is recognised that Iwi are best-placed to address local skills and employment gaps but they require greater and more equitable government funding in order to do so.

There are concerns about the future impact of COVID-19 on Ruapehu's tourism industry

Ruapehu is predominantly a tourist destination. Its labour market is fragile, hinging on both weather and tourists. Because of its fickle economy, much of the workforce is on fixed term or casual contracts, impeding the provision of development opportunities. As a result, much of the 'unskilled' workforce is at risk of unemployment, come the summer months, in the absence of obvious industries to transition into. In any event, 'big ticket' tourism (eg the Tongariro Alpine Crossing) largely yields flow-on benefits for the Taupō district, rather than Ruapehu, itself.

COVID-19 has likely worsened inequity in Manawatū-Whanganui

Whereas people may have previously been too proud to seek assistance, COVID-19 highlighted the significant socioeconomic deprivation that afflicts communities across the region. Certainly, the impacts of COVID-19 are likely to fall disproportionately on Māori, Pasifika, women, young people, and people with disabilities. Of particular concern is the way in which COVID-19 will exacerbate housing affordability issues across the region. For the first time in Taranaki's history, there are now more than 30 people on the public housing register. In Rangitikei, there are numerous people on work visas in emergency housing, with little work to get on with (due to seasonal work ending, and being unable to return overseas). Furthermore, given that affordable housing is often employed as a selling point for the region, filling skills shortages (eg management positions) is likely to be rendered more difficult.

It is also likely that the region will see more young people than usual disengaged from education, training and employment. Nationally, it is feared that students are exiting school prematurely as a result of COVID-19, to supplement their family's incomes by either entering the workforce themselves on a full-time basis, or looking after dependents (therefore enabling others to work). It would be interesting to ascertain whether secondary school churn in the Manawatū-Whanganui region is any different to that which pre-dated COVID-19. In any event, disengagement may be masked by young people opting to 'learn remotely' (whether they are actually doing so, and the effectiveness of this provision, remains to be seen).

Opportunities in Manawatū-Whanganui presented by COVID-19

COVID-19 protocols have provided opportunities for efficiency and productivity gains

The imposition of COVID-19 health and safety protocols has resulted in a range of benefits across the logistics and manufacturing sectors. For example, several factories and distribution centres have moved to working on split shifts, in order to allow for social distancing. Doing so has led to better utilisation of machinery (insofar as there are sufficient ride-ons per number of workers, for example, meaning that trolleys need not be used), safety improvements (due to having less people on the floor), and quality enhancements in end products.

These protocols have, in many ways, also provided a blueprint for dealing with ongoing seasonal illnesses (eg flu), with a view to reducing absenteeism. Moreover, whilst split shifts mean that workers are now starting earlier or finishing later than usual, doing so has meant that many of them are now able to either drop their kids off at school, or pick them up, where they had not been able to previously – potentially improving staff wellbeing. Employers, having recognised these benefits, plan to stick with split shifts for the foreseeable future.

More flexible work arrangements, necessitated by COVID-19, have also led to productivity gains. Many workplaces across the region look set to continue with working-from-home (WFH) arrangements, in some form. Certain sub-regions, such as Horowhenua, have further benefited from commuters (eg to Wellington) moving to WFH arrangements, and spending more locally. Given the difficulty many sub-regions face in attracting people into highly specialised positions, there are questions as to whether such WFH arrangements may provide an opportunity to attract more suitable candidates (who can be based outside the region) for certain roles.

The uncertainty posed by COVID-19 provides opportunity to reconsider the notion of a 'career'

Prior to, and during, COVID-19, businesses across the region have struggled to fill vacancies for roles that are temporary in duration. In Whanganui, manufacturers have expressed interest in exploring the possibility of creating a shared workforce pool (comprised of people who possess skills that are transferable across industries) to address this challenge.

Given that many of the region's opportunities lie in seasonal work, there is scope to institute strategies that make seasonal work more attractive, and provide a greater level of certainty to workers (e.g. that they will be able to pay their mortgage by taking on such roles). In a similar vein to the above example, primary industries could train and employ people to pick apples, operate a maize harvester, and assist with lambing season – ensuring ongoing transition between roles.

Part of the challenge in attracting workers to the primary and manufacturing sectors involves shifting mentalities about the nature of work available in factories, forestry, and horticulture, for example. Often, people fail to recognise the multifarious positions that exist within these industries, and the fact that many roles are extraordinarily sophisticated. In order to provide development opportunities to people, and thereby make this work more appealing, employers could look at allowing workers to spend nine days on the factory floor and one day completing business administration, for example, or four days cutting scrub and one day on research and development.

COVID-19 has illustrated how the region could leverage its geographic and infrastructural advantages

COVID-19 has reinforced the region's suitability for becoming a large-scale distribution base. Its connection to key state highways, arterial roads, and proximity to two key ports (Napier and Wellington), has enabled business to continue as usual, for the most part, in relevant industries (eg logistics, construction, manufacturing). The development of the KiwiRail Regional Freight Hub in Palmerston North is likely to further enhance the region's strategic location.

Certain parts of the region are also well-placed to capitalise on digital infrastructure. The availability of ultra-fast broadband and stable connectivity render Ruapehu, Levin, and Whanganui, for example, suitable locales for establishing call centres, insurance companies, and multimedia businesses – particularly when coupled with the prospect of more affordable property.

Following COVID-19 Alert Level 4, there was a push toward domestic tourism. Whilst Ruapehu's tourist numbers are down on this time last year, spend is actually up. Being virtually equidistant, and a relatively short drive, from both Auckland and Wellington, Ruapehu is perfectly located to capture the domestic tourist market. However, in order to become more resilient, Ruapehu's tourism industry requires full implementation of its Destination Management Plan.

COVID-19 has illustrated that addressing existing social issues is critical to labour market recovery

COVID-19 has sharpened focus on the need to address issues that may, previously, have been considered tangential to labour market activity. Housing availability and affordability constitutes one such example of an issue that is central to resolving future skills and workforce needs. Ensuring access to transportation is another.

Looking forward to the next six months

Having successfully weathered the immediate economic challenges posed by COVID-19, relative to the rest of New Zealand, there is cautious optimism about the future labour market prospects of the Manawatū-Whanganui region.

Irrespective of this positivity, the ensuing months will inevitably put considerable strain on those communities burdened by socioeconomic inequity, pre-COVID-19.

Undoubtedly, the end of the COVID-19 Wage Subsidy (and its extension) presents ‘one giant unknown’. It is anticipated that, when it ceases, the region may see an increase in displacement, but that those workers are likely to obtain employment in similar roles, or sectors (eg movement within primary industries).

There is a general sense that the Government is deploying an appropriate mix of levers at this time. However, questions remain as to whether such spend can be sustained, particularly as the threat of future COVID-19 outbreaks loom.

The Manawatū-Whanganui region is eager to capitalise on opportunities to leverage its unique position, and engage in efforts to future-proof its labour market. In doing so, it will likely make sense for sub-regions to glean insights from similarly-placed communities beyond Manawatū-Whanganui.

Recommendations

At this stage, the Manawatū-Whanganui interim Regional Skills Leadership Group recommends that:

1. The COVID-19 All-of-Government Response effort publicises the full range of government supports available to people across New Zealand, in the same way that health-related messaging is promoted,
2. The iRSLG takes responsibility for publicising (regionally) the full range of government supports available to people across Manawatū-Whanganui region, targeting specific groups (eg employers, non-government organisations) through member networks,
3. The Secretariat investigate the veracity of the concern that young people across the Manawatū-Whanganui region have disengaged from education as a result of COVID-19 (splitting data at the sub-regional level, where possible), and
4. The Secretariat investigate the impact of COVID-19 on Māori, Pasifika, and people with disabilities across the Manawatū-Whanganui region.