



Local Insights Report

Marlborough interim Regional Skills Leadership Group

September 2020



Introduction

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

The majority of interviews with members were undertaken between 27 July and 12 August, supplemented by content received at fortnightly iRSLG meetings between 3 August and 31 August.

Highlights

- An existing tight labour market has been exacerbated by COVID-19
- Limitations within the current domestic labour pipeline created a high reliance on overseas labour
- 'Seasonality' is the priority issue in the region
- Skills mapping of key occupations is to provide clarity on matching local talent with training opportunities
- There is local interest in looking at ways to provide year-round seasonal employment, including from labour hire companies who could support such an approach
- Work is underway to estimate the downstream impact of secondary income earners losing jobs
- Spotlight on Wine/Viticulture industry identifies branding and attraction as key hurdles to addressing local perceptions.

Background - Context and drivers

Marlborough has had an extremely tight labour market for many years. This has been driven by a number of factors, including:

- economic growth exceeding population growth
- an ageing population (Marlborough has an average age of 46, one of the highest in the country)
- significant levels of youth leaving the region for higher education, city living and overseas experience.

These factors mean the pipeline of available domestic labour within the region is not consistent nor large enough to service all sectors. To compensate for the dearth of working-age New Zealanders in the region, Marlborough has traditionally relied upon workers from overseas to fill the demand. The impacts of COVID-19 mean that the supply of overseas workers is likely to be significantly affected by border restrictions resulting in a general contraction in the overseas labour pipeline for an extended period. This is particularly the case for trained or semi-skilled employees, where shortages prior to the onset of COVID-19 are being exacerbated by the drop in overseas worker numbers.

An initial focus for the Marlborough interim Regional Skills Leadership Group (iRSLG) is around the need to attract, retain and train more local talent. While the wine industry is acknowledged as the priority industry in need of more local labour supply, other industries such as aged care are also experiencing significant staff shortages.

The iRSLG has identified several underlying drivers, unique to Marlborough, that contribute to the challenges around attraction and retention of a local workforce. Equally, the group recognises that some of the restrictions resulting from COVID-19 actually present opportunities to influence a paradigm shift in terms of how employers source their labour supply and, in doing so, help resolve some of Marlborough's longer-term labour market issues.

Current regional Labour Market Challenges

Seasonal nature of work

Much of the work in Marlborough is highly seasonal, particularly in the primary industries, but also in industries dependent on visitor flow such as tourism and hospitality. The temporary nature of seasonal work makes it very difficult to apply for mortgages/loans, or to compete in a hot rental market. It also impacts on benefit entitlements due to the stand-down period which prevents workers from using jobseeker benefits to “bridge the gap” between seasonal roles.

These challenges, coupled with a long-running reliance on overseas workers to fill jobs at peak labour times, mean that few locals see seasonal employment as a viable or sustainable source of income.

Compounding these challenges is the perception that many seasonal employers offer only “sunshine wages” - this is where lower wages are paid and supposedly offset by a higher quality of life in the area. However, median annual household income data sees Marlborough ranked 8th out of 16 regions, with an annual median income of \$79,300¹. Marlborough’s median household income is comparable to that of regions with similar climates and industry make-up such as Hawke’s Bay (\$77,700), Tasman (\$78,200) and Nelson (\$79,400). The challenge, and ultimately the opportunity, for seasonal employers in Marlborough is to show prospective employees that there are potential pathways to earning a good income.

Meeting industry needs through local training

iRSLG members representing industry as well as wider stakeholders have highlighted that the demand for labour in Marlborough is immediate, however it takes time to train new workers. Forestry firms for instance require competent machine operators and fellers that cannot be trained overnight - so having more people available for work does not necessarily help these industries fill these occupations in the short-term.

The immediate challenge is to ensure that industry needs are being met as much as possible by aligning training offerings. Parallel to this, industries and employers need to show they have viable careers so people can have confidence to commit to staying in the industry and upskilling.

There is a risk that the short-term labour force needs may undermine longer-term planning for some industries and delay any shift to training more locals. The iRSLG members describe a need for urgency in this space, particularly in the Viticulture industry. The members will support the definition of the skill and experience levels of the existing skilled vintage workers² who remain in the region. This will help to give an understanding of which roles can be filled locally, and what training needs to be provided to ensure local talent can fulfil employers’ requirements.

¹ This data comes from Statistics New Zealand’s Income Survey, with some adjustments made using the Census to give robust data for smaller regions. The Income Survey is a Household Labour Force Survey (HLFS) module, which means the data comes from households rather than businesses – so if someone is living in Marlborough, their income will count to Marlborough’s total, regardless of who they work for.

² Vintage workers include cellar hands, wine makers and lab assistants

Current regional Labour Market Opportunities

Year-round seasonal employment

The Marlborough iRSLG suggested an opportunity to combat the reluctance of locals to enter seasonal employment. This is to offer year-round employment through multiple employers across a variety of primary industries. This 'labour-hire company' approach will provide a method to mitigate some of the difficulties (outlined above) that seasonal work entails and that contribute to local perceptions of seasonal work.

One local contracting firm has already indicated its willingness to support such a working arrangement. Further work is required from Government and wider industry to ensure sustainable employment is offered, along with the opportunity to upskill. The Marlborough iRSLG is aware that this is also an area of focus for the Nelson-Tasman iRSLG and intends to share information and work collaboratively in this space. Future-focussed solutions to seasonality will help to mitigate the reliance on overseas workers, as well as support long-term jobseekers and the newly-unemployed (as a result of COVID-19) into meaningful work.

Flexibility of local training offerings

There is an emerging opportunity to bridge some of the existing skills gaps by polytechnics becoming more flexible with how they offer their courses and respond to industry needs. Already this is seeing the Nelson Marlborough Institute of Technology (NMIT) offering student intakes more frequently than the traditional two cohorts per year. For example, a 19-week cellar hand course is now being offered locally.

One member suggested another opportunity to boost training outcomes by offering six months of employment in season, followed by six months of complementary training. NMIT are currently working on this to find new ways to structure themselves in order to accelerate people that are already working to get a foot in a door elsewhere or a higher-level role.

Short term regional labour market opportunities and challenges

In general, there is a lot of uncertainty about what the labour market actually looks like now, as the current wage subsidy is likely to be hiding the true scale of the impact of COVID-19. Several members noted that they are expecting to see a large number of redundancies once the wage subsidy ends. Already, reduced hours for those in casual working conditions is causing uncertainty for many households and whānau, and this is creating a greater reliance on local welfare support which can only extend so far.

Several members spoke about a "bubble ready to burst" in relation to local spending, household welfare and employment outcomes. One member identified the issue that many secondary income earners (mostly women, working mothers) have lost their jobs but will not show up in unemployment data as they may not qualify for the jobseeker benefit if they have a working partner. This is an important insight on the downstream impacts on the region as the incomes of this cohort tend to be put towards discretionary spending that support local retail and hospitality businesses.

Members also note that, despite the reported layoffs, there are lots of opportunities on both the supply and the demand side but support is needed to match these up. This would be greatly supported by the disaggregation of Government data on Marlborough from that of Nelson-Tasman and West Coast³.

Spotlight on Industry: Wine/Viticulture

The wine sector is the largest industry in Marlborough, with one-in-five Marlburians employed via the wine industry. Wine's contribution to the Marlborough economy has grown by 300% since 2000 and continues to grow.

Skills gaps and labour shortages occur as the wine industry's rapid growth outpaces labour supply. For example, in a 2018 survey of employers in Marlborough 80% said it was difficult to fill vacancies/very difficult, or they could not fill vacancies at all.

Seasonality considerations

The wine industry experiences significant seasonal peaks in labour demand in both viticulture (grape growing) and winemaking occupations. Like other horticultural industries (e.g. apples and kiwifruit), viticulture relies on the Recognised Seasonal Employer (RSE) scheme to recruit workers from overseas for seasonal work when there are not enough New Zealand workers. In 2019 approximately 3,000 RSE workers were employed in the winter season and 1,000 in the summer season to supplement the local workforce and 'backpackers' on the working holiday visa scheme.

Each vintage, when the grapes are harvested, approximately 1,000 vintage cellar hands from around the world join 500 local staff to make wine. The 2021 vintage is fast approaching but, given the drop in overseas workers from COVID-19 border restrictions, employers are facing significant staff shortages. Comments from the Minister of Immigration on 10 September 2020 suggest some extensions may be given for skilled foreign nationals already in New Zealand, however employers are still seeking certainty.

The seasonal nature of the work and the previous reliance on overseas workers contributes to local perceptions about career viability and income levels within the wine industry specifically. Ministry for Social Development data indicates that there are approximately 1000 work-ready jobseekers in Marlborough, however they have reported challenges over winter 2020 where there was little interest from jobseekers in picking up seasonal viticulture work. This challenge persists despite the labour shortages in the industry and new opportunities to upskill once employed.

Branding and attraction

The wine industry employment brand is not as strong as it needs to be and has not kept pace with the rapid growth of the industry. Underinvestment in the wine industry employment brand has allowed negative perceptions of the industry to develop. Many locals are not aware of the career opportunities in the wine industry or pathways for entry. The wine industry member on the group reports that parents steer their children away from the wine industry at events such as the Marlborough careers evening.

³ Government reporting most often combines these regions and reports figures for the "top of the south" cluster. This makes it impossible currently to identify the scale of impact experienced in each region independently.

There is a lot of work to be done now that the wine industry must rely on local people as the main source of labour for the foreseeable future.

This is true not only of vineyard and winery-based roles but also of the various (often highly-skilled) support roles such as finance, human resources and marketing. The wine industry member has observed something of a self-fulfilling prophecy in that many companies relocate these well-paid roles to the likes of Auckland, when they cannot fill the vacancies from within Marlborough. This reduces the range of jobs in Marlborough and makes the region less attractive to higher-skilled workers which, in turn, reduces the pool of good candidates for those roles, and makes them harder to fill.

There are signs of perceptions towards other sectors shifting as a result of COVID-19 and the redeployment of workers that it is occurring. For instance, Nelson-Marlborough District Health Board has seen a number of job applicants who had previously never considered the health sector.

The iRSLG members identified several potential avenues to increase the labour supply pipeline for viticulture and winemaking (e.g. young people who have lost jobs that are no longer viable, school leavers, and overseas nationals stuck in Marlborough post-2020 vintage). They feel employers and providers need to harness the changing attitudes of locals and support them into sustainable jobs. Members have identified the need for a comprehensive package around attraction and retention that includes work with schools, tertiary institutions and exploring new ways of providing job seekers with relevant work experience opportunities that make them aware of all that is available.