



Local Insights Report

Tai Tokerau interim Regional Skills Leadership Group

September 2020



1 Introduction

This report provides an overview of the impact, challenges, and opportunities currently facing the Tai Tokerau region, from the perspectives of members of the interim Regional Skills Leadership Group (iRSLG). It focuses on the labour market impacts of COVID-19 in Tai Tokerau; broader economic recovery challenges in the region are outlined in Appendix 1.

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

The content and insights provided by iRSLG members to inform this report relate to the September period, which includes part of the second Alert Level 3 lockdown period in Auckland.

This is the first of a regular series of Local Insights Reports that the Tai Tokerau iRSLG will develop and publish. As a group, we welcome comments and feedback on this report. Please email feedback to NorthlandSLG@mbie.govt.nz.

2 Regional overview

Tai Tokerau iRSLG members believe that there are opportunities to support the region to recover from the impact of COVID-19 by building off existing economic development plans and central government investment.

Business confidence has, however, reduced following the re-emergence of COVID-19 and members indicated that more signals from Government are needed to create confidence to invest. Addressing fundamental challenges around digital access, housing needs, and direct investment in local communities need to be addressed as part of the COVID-19 recovery response for Tai Tokerau.

3 Key messages on labour market challenges and opportunities

Systemic challenges being amplified by COVID-19

On several occasions it was noted that many issues now being discussed as part of the response to COVID-19 are not new. Instead, these issues are the result of ongoing systemic failures and COVID-19 has further highlighted their impact. For example:

- A broad theme emerging was the disparity between the Government's ability to flow funds and opportunities to Te Tai Tokerau and the readiness of the rohe to respond to them. Investment needs to balance the imperative to begin and complete projects with the need to build local capacity and capability to undertake the work.
- Tangata whenua and rangatahi are identified by members as most likely to be adversely affected by COVID-19 and there was deep concern expressed for their ongoing wellbeing.
- Under investment or poorly targeted investment in digital infrastructure was seen as a key barrier to skill development and participation in 'future of work' industries (e.g. agritech, green tech industries, and digitally-underpinned industries which operate in the global market place).

Disproportionate impacts for Māori, wāhine, and those caring for whānau

- Māori make up a significant proportion of the demographic more likely to be negatively impacted by COVID-19 in Tai Tokerau.
- Wāhine are particularly overly represented in industries that are likely to be negatively impacted through COVID-19. These industries include retail, tourism and hospitality - all

of which are big employers in Tai Tokerau. There may be an enduring displacement for women, who have not traditionally been well represented in industries that are the focus of government 'shovel-ready' responses.

- People who have whānau care responsibilities and who are unavailable for full time work will be disproportionately impacted as industries with part time opportunities contract.

Digital inclusion critical for skills and employment transitions

- Communities with poor digital technology infrastructure and access are going to be more disadvantaged by COVID-19, particularly where this lack of access restricts access to skills development programmes to support job transition and redeployment.

Aged care labour supply affected by border closures

- Communities with significant aged care or 'aging in place' community care needs, particularly those relying heavily on migrant workers in the care workforce, are likely to be impacted by ongoing international and internal border closures. There is an opportunity to train more locals to cover the shortfall of migrant workers, however this will require time when the need for skilled labour is immediate.

Support for disengaged youth and pathways to employment

- Disengaged, just engaged, or yet to be engaged youth are likely to be deeply affected by COVID-19 and the swift changes in labour market dynamics. This is particularly the case where community support and opportunities are not available to help them on to a pathway of sustainable meaningful employment.
- Approximately 600 learners in Tai Tokerau will be leaving compulsory schooling at the end of 2020 with no qualifications. Young people who have just been employed are likely to be 'last on-first off' when COVID-19 impacts the industries they are in. There may be a significant increase in social disruption if a large cohort of youth becomes unemployed when the wage subsidy ends.

Tourism sector and seasonal labour impacts

- The sectors that have historically been underpinned by international tourism are at risk from ongoing border closures, especially where domestic tourism is unlikely to replace lost revenue streams. There are likely to be quite different impacts across the rohe with the impact from reduced demand being more easily offset in seasonal industries. This is due to significant people costs generally being more variable and not fixed within these types of industries, whereas fixed-cost industries would have an additional cost associated with redundancies. The shortage of skilled labour in this sector is significantly amplified by COVID-19 and will worsen if hard to replace staff leave the region. Notably, four of the top five job types for employer-assisted work visas issued for Tai Tokerau in 2019 were related to the restaurant and café sub-sectors.
- Manufacturing in Tai Tokerau is largely an extension of the food and fibre sector. Weather events do not appear to have had a significant impact in terms of harvest activities this year nor planting activities for the next. If both national and international border closures remain in place, there is likely to be a shortage of skilled labour available. This may result in serious disruptions to food and fibre supply chains.

Primary industries and construction could offer future opportunities

- Land-based primary sector activities have been affected by weather events, including ongoing droughts and flood from 2018 to 2020. It is possible there will be an increase in employment opportunities around affected waterways, as well as a desire to use the Kaimahi 4 Nature fund to support flood remediation in the rohe. It is however difficult to ascertain the COVID-19 impact as food production was seen as an essential service and thus the impact on revenues has been limited.
- Impacts in the building and construction sector normally lag economic shock events and

BERL modelling suggests the impact from COVID-19 is likely to be severe 18 months from now. The sector is looking at possible alternative revenue streams from PGF and other Government funded initiatives but has concerns about its ability to retain skills and labour in rohe while these work streams get contracted.

- Horticulture, Aged and Community care, and environmental work could create employment opportunities for a number of job-ready individuals. There is, however, concern that much of this transition work is one off and might simply mask the extent of the underlying labour market issues rather than meaningfully resolve them.
- Crowding out of existing work by Government projects has been raised as a risk with the possible outcome being that longer tenure is created for existing employees but there is no increase in the number of people employed across the rohe.

Appendix 1: Broader economic recovery challenges in Te Tai Tokerau

Digital exclusion – access, technology and skills

Inequitable access to digital technologies remains a key barrier for many in Te Tai Tokerau. This digital isolation has been amplified during COVID-19. Significant numbers of communities within the rohe were unable to access first-hand timely information about the pandemic and the Government's response framework. Many rangatahi were excluded from participating in their education programmes due to lack of access to high quality internet and devices.

The Te Tai Tokerau Northland Economic Action Plan recognises that improved digital access, connectivity, technologies and skills development are critical to help transform the local economy. A comprehensive response to this issue has not yet been developed but initial planning has been undertaken by Northland Inc., which has authored a Digital Enablement Plan (DEP). This plan consists of projects that target key digital improvement outcomes, however it does not represent a cohesive regional strategy that reflects the range of community aspirations.

Resource constraints mean that the DEP has not progressed as anticipated, and members have noted that a continued failure to address this issue will only deepen the divide between those with access and digital skills and those without.

Poor housing impacting education and labour market participation

Te Tai Tokerau social and economic sector leaders have reaffirmed that true economic recovery can only be achieved if it is underpinned by equitable participation in the labour market by all people in Te Tai Tokerau. Achieving this outcome continues to be compromised, however, by the poor housing stock in the rohe.

Poor housing directly impacts people's wellbeing and their ability to participate in learning and work. Addressing this issue will deliver intergenerational benefits and will provide near term sources of skill development and employment. This key issue for Te Tai Tokerau requires focused support from Housing and Urban Development (HUD), Kainga Ora, Ministry of Business, Innovation and Employment (MBIE) and Ministry of Social Development (MSD). Iwi and local government have also identified housing as a key priority for the region.

Improving transparency around Government investment and social procurement

Improving the transparency of, and access to, information about the Government's investment programmes for Te Tai Tokerau was seen as a key requirement for developing sustainable community resilience and to ensure equitable distribution of the benefits from investment programmes. Without this, Te Tai Tokerau communities are unlikely to benefit from the investments in the ways suggested in the funding announcements. Businesses are also struggling to implement workforce development plans without a greater understanding of the project timelines, and are concerned that their ability to source, or build, local talent will be compromised.

Furthermore, the lack of an agreed social procurement model could put at risk the social returns from the Government's investment. Regional wellbeing outcomes are likely to be compromised if the contracting processes associated with over \$1.3b Government investments do not include a broad range of clear social procurement requirements. In particular, there was genuine concern expressed that out-of-region service providers may crowd out local providers for two reasons:

- Due to timelines associated with the contracting process (driven by the shovel readiness framework), local communities won't be able to respond to opportunities in a timely way.
- Many community based providers are at the smaller end of the Small and Medium Enterprises (SME) continuum and are unlikely to have capabilities associated with

managing and reporting on large government contracts.

Managing ongoing labour displacement effects

Continued COVID-19 resurgences and ongoing border closures with Auckland are seen as a major risk to the Te Tai Tokerau economy. The likely results of labour market displacement are that those with skills in high demand, such as construction or health sector skills, will leave the region to find work elsewhere, with an increase in jobseekers requiring financial support.

Despite the Government responding rapidly with business supports that were widely promoted, anecdotal evidence is that some Māori SMEs were not immediately aware of available Government supports - perhaps as a result of the communication medium.

There is some serendipitous balancing of the labour market evident across some industries, namely those with demand-led flexible cost structures (e.g. cleaning services associated with accommodation do not incur the cost of cleaning due to the lack of visitors). This is happening when the impacts of labour demand reductions (driven by revenue downturns) are being offset by a reduction in supply side pressures – where the previous labour flows were either from international or national labour supply markets. This offset is insufficient to reduce the likelihood of ongoing business rightsizing and closures. Without the Government investment information mentioned in the previous section it is challenging to undertake a redeployment mapping exercise.

While the impact of the wage subsidies ending is unknown, there is a general concern that this will lead to a significant increase in job losses and business closures. It is also likely that higher skilled individuals entering the labour market will take up opportunities at lower skill levels in order to maintain their own social and economic wellbeing. Consequently those who have low skills or who have no work experience may find it more difficult to secure meaningful near term employment. These ongoing displacement effects will have significant negative impacts on the wellbeing of the people of Te Tai Tokerau.