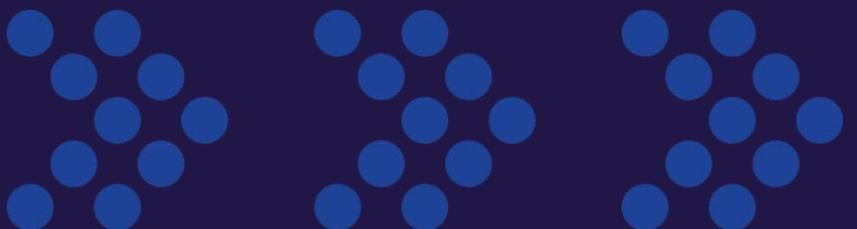




Wellington
**REGIONAL
SKILLS
LEADERSHIP
GROUP.**

Local Insights Report

Wellington interim Regional Skills Leadership Group
October 2020



Introduction

This report provides insights into the current labour market in the Wellington region from the members of the interim Wellington Regional Skills Leadership Group (iRSLG). It is the second Local Insights Report and focuses on the impacts of COVID-19 on the local labour market. It is based on interviews with iRSLG members.

The purpose of this report is to identify Wellington's short and medium term labour market challenges and opportunities, and inform local stakeholders and Government agencies with an interest in skills, employment and workforce planning.

Interviews were undertaken with 14 Wellington iRSLG members between 24 September and 15 October 2020.

We welcome comments on this report. Please email feedback to WellingtonRSLG@mbie.govt.nz.

For more information about the interim Nelson-Tasman interim Regional Skills Leadership Group, visit www.mbie.govt.nz/Wellington-RSLG.

Purpose of the RSLGs

The Regional Skills Leadership Groups were formed in June 2020 to identify and support better ways of meeting future skills and workforce needs in our regions. They are part of a joined-up approach to labour market planning which will see our workforce, education and immigration systems working together to better meet the differing skills needs across the country.

Functioning independently, the groups are regionally based and regionally led, and supported by a team of data analysts, advisors and workforce specialists at the Ministry of Business, Innovation & Employment.

Overview

The closure of the New Zealand border is having an immediate impact on the local economy, with a subsequent flow on effect on employment and workforce planning. This can be evidenced by:

- a drop in international students and international visitors
- a reduction in large events being held
- limitations on access to migrants with highly specialised skills
- disruption to the hospitality, hotel and retail sectors, in particular, along with supporting businesses.

On the other hand, many sectors of the economy are thriving. Construction services are in high demand across all of the Wellington sub-regions. The aged care, screen, domestic visitor and primary sectors are also strong.

Local iwi are leading new initiatives in partnership with training providers, local government and the private sector to support Māori business and employment. Te Rūnanganui o Te Ati Awa is actively pursuing a strategy to support its rangatahi through education and into employment.

Although job losses have occurred, group members have not observed significant displacement from employment over the past month. Some have identified an increase in advertised jobs and have heard about difficulties employers are facing in attracting staff.

There is anecdotal evidence indicating that the closed border and resultant constraint on availability of migrant skills has opened up opportunities for New Zealand citizens and residents.

Challenges

Labour market challenges identified by the group include:

- job losses in manufacturing and retail, while other sectors are reporting difficulty attracting or accessing staff
- inflexibility in tertiary training delivery arrangements and insufficient connection with employer needs
- increasingly insecure work arrangements for employees as businesses adjust workforce flexibility by introducing shorter hours or fixed term contracts
- increasing stress being experienced in the workplace due to the uncertain economic environment, with a flow on impact on employee health and wellbeing
- job loss and insecure work arrangements disproportionately affecting Māori and Pasifika employees
- persistent barriers to employment, including drivers' licensing, access to technology, transitions through the education system, and employability of school leavers.

Opportunities

Key opportunities identified include:

- demand for skilled workers in construction, the screen industry and technology
- using procurement as a tool to open up opportunities to groups that consistently experience poorer labour market outcomes
- providing support for entrepreneurs
- opportunities to upskill in the workplace
- potential increases in employment opportunities arising from constrained access to migrant skills.

Current regional labour market challenges

Job losses in retail and manufacturing

According to group members, some retail and manufacturing businesses have announced forthcoming closure or job losses. In the Hutt Valley, The Warehouse and Imperial Tobacco are laying off staff, causing over 200 job losses. Some families have worked at Imperial Tobacco for generations and the closure will impact Pasifika significantly.

In Masterton, some major retail brands have withdrawn their presence from local stores.

Delays in big industrial projects are causing cash-flow challenges for some local engineering firms and industrial businesses, resulting in a number of temporary staff layoffs.

Staff attraction challenges - low numbers of applications for jobs in hospitality

In Wellington, employers in the hospitality industry report difficulty attracting staff across a range of roles, despite advertising the vacancies which offer regular day-time work hours. It

appears it is particularly difficult to find people for more skilled roles such as chefs and front-of-house. Public perception about the hospitality industry may be a barrier – the industry offers good opportunities for progression that are not being recognised.

Employers have found it necessary to recruit from further afield, but the cost of travel to work and the reliability of public transport is problematic.

Migrant staff have previously been a significant component of the workforce. Recently it has been difficult to obtain new work visas for current skilled migrant staff in areas of skill shortage, such as chefs.

Skills development – a more flexible and responsive vocational training model is needed

The construction sector is growing and trades' training is buoyant, however, group members expressed a need for change in the vocational training delivery model to increase flexibility of delivery, lift the tempo of training and better align with business and learner needs. Group members suggested changes such as:

- the introduction of short courses or block courses
- training provision outside work hours
- concentrated courses to allow learners to gain specialised skills and qualifications over a short time frame
- changes to course structures and mode of delivery to enable learners to stop and start learning without penalty. This would help mitigate the impact on Māori and Pasifika learners in particular who may leave programmes early to attend to family or community obligations.

The introduction of micro-credentials may provide a solution to training needs in the construction sector, however micro-credentials are not considered suitable for the training of plumbers and gasfitters.

A shortage of suitably-qualified trades tutors at Whitireia & Weltec has created a bottleneck in some trades training, delaying the progression through apprenticeships and limiting the type of jobs people can be assigned to, thus creating a business cost. Better alignment between the provider and industry would be helpful.

Across a number of trades, the traditional model is no longer working. New thinking is needed about skills acquisition and the training pipeline model. There's room for new partnerships in training delivery. It was noted that the private training establishments are able to provide more flexible options.

The potential to train apprentices is not being fully realised locally

A group member described obstacles to the employment of apprentices. It is easier for businesses to hire apprentices in the commercial construction sector than the residential sector, however, current delays in large commercial projects are holding up the recruitment of apprentices.

The fees-free training option makes vocational training attractive, but it is not only being used by new entrants. Qualified local trades-people are taking up the free opportunity to expand their trades skills as well.

There is some inequity in the subsidy arrangements available to employers, depending on the skills training pathway people take.

Some businesses still need access to specialist skills from offshore

Manufacturers using highly specialised machinery purchased offshore are obliged to use international technical specialists to maintain warranties. In these circumstances, the visa and border exemption processes are very slow, frustrating and expensive. Improved processes and timeliness would support the region's manufacturing sector.

The closed border is also limiting access to people in the screen sector with specialised technical skills, which is making it difficult to manage the volume of incoming work. This challenge is being managed in part by outsourcing work offshore. There is a risk that major companies could open offices offshore in preference to New Zealand.

Insecure employment arrangements are increasing

Although some group members are seeing greater job stability, with lower turnover of staff, they also noticed that insecure work arrangements are increasing. In the post-COVID environment, businesses are trying to manage cost through more flexible employment arrangements. Businesses are hiring people for fewer hours or on fixed-term or other types of contracts which allow employment to be stopped and restarted depending on requirements. This is common in the screen sector but increasing in other sectors.

Insecure work and people being offered part-time hours is a growing feature of the aged care sector, which has a large representation of Māori, Pasifika and migrant workers. Workers prefer one secure full-time job, but employers prefer part-time hours.

Insecure work is also a key issue for young people moving off Jobseeker Support into sustainable work. Jobs on offer are often for limited hours or short-term contracts. Also problematic is the financial interface with Work & Income as a person's part-time hours fluctuate or they move in and out of short-term roles. Such changes tend to result in a financial loss to the worker. In addition, according to a Group member, MSD's system changes frequently, making it difficult to navigate and resulting in some people working "under the table" meaning they are also "under the radar". There is a need for a better customer interface experience with MSD's support systems that will enable people to access jobs "and earn income with mana".

Health and wellbeing

Heavy workloads and prolonged stress in the post-COVID environment are having an adverse effect on some employees' wellbeing and mental health.

The public sector and the health sector are particularly affected. There is a sense that staff are being "over-stretched and overwhelmed". People are not taking annual leave because everything seems urgent. Unions are receiving an increase in reports of bullying and a reduction of social cohesion at work.

There is a need for increased resources to reduce workplace stress. Some suggested solutions include expanding MBIE's early intervention employment service, making Employee Assistance (EAP) schemes accessible to smaller businesses and increasing funding for organisations that provide local critical response counselling.

Lack of government contract parity has flow-on effects for staff retention

According to a group member, some community-based Whānau Ora providers on contract to the Crown are struggling to retain staff due to poor contract parity between funded providers. Community-based not-for-profit providers are funded at a lower rate than state organisations

and cannot compete on salaries. They lose staff they have trained to higher-paying organisations, such as District Health Boards (DHBs). This creates real challenges for programme delivery.

Common barriers to employment persist

Transport and driver licensing

Driver licencing and access to a vehicle continues to be a barrier to employment and training, especially in areas such as the Kāpiti Coast and Wairarapa. Public transport hours of operation are not always suitable to workers' and employers' requirements. Although MSD is providing courses, it is difficult to step from a learner licence to a restricted due to lack of access to a suitable vehicle and supervisors. Leniency on the validity period of learner licences needs to be explored.

The cost and logistics of commuting, particularly for lower paid employment, is also a barrier.

Access to Digital Connectivity

Although working from home is becoming more common, access to connectivity and devices is an ongoing problem. In some cases families share one phone, for example. The cost of internet is significant in the more remote areas.

Employability skills

Group members continue to observe poor work readiness among school leavers. There is a view that people are not getting into the job market because they lack the work ethic needed.

Work placement opportunities for school students have dried up. There's less work available and businesses have more on their plate.

Transitions from Māori-led education system to mainstream schools and the workplace can be difficult

Young Māori learning through the Kohanga Reo and Kura Kaupapa systems develop a strong sense of identity and particular skills in te reo and tikanga Māori. However transitions between systems is problematic. A key desired change is better integration of the kaupapa Māori education system to ease the flow between pre-school, primary and secondary school. The Ministry of Education and the Kohanga Reo Trust need to work together.

There's also a need for skills recognition for those who have learned through Kura Kaupapa schools. Te Reo skills are not recognised as a literacy skill for NCEA – English is still required for university entrance.

Learners tend to find the move into Pākeha workplace culture can be a culture shock. The transition into employment is most successful in Māori businesses where possible.

School attendance

Some anecdotal evidence was provided of young people leaving school to care for family members while adults work, or working themselves to support family. However, according to the Regional Public Service Lead, quantitative data does not show any increase on previous years.

Current regional labour market opportunities

Skilled workers are needed in construction, the screen industry, technology and the state sector

Residential and commercial construction are experiencing high levels of demand in all areas of the Wellington region. There is an expectation that demand for commercial construction will increase over the next 2-3 years, with a strong need for specialised construction skills like roofing and construction management skills. There are also likely to be positive flow-on effects for supporting businesses, such as building supply services. A future workforce shortfall is anticipated and large businesses will need to attract experienced qualified staff from other regions, attract workers back to the industry and/or attract returning New Zealanders. Currently the skills development pipeline is not fast enough to meet demand. An opportunity exists to provide short specialised training options allowing rapid skills acquisition in particular aspects of construction.

New Zealand's COVID-controlled status has made it a very attractive destination for screen productions and the local film industry is strong. There is growing national demand for skills in set construction, which will draw on transferrable skills from the construction sector. With the current border restrictions, an immediate opportunity exists for New Zealanders to gain specialised creative and technical skills to service upcoming productions.

A proposed expansion of an information technology business in the Kāpiti region will create part-time employment opportunities for over 25 FTEs. If successful, the enterprise will require investment in training and skills development locally.

Degree-qualified rangatahi with knowledge and skills in te Reo Māori and tikanga Māori are highly sought after for roles in central government agencies, DHBs and local authorities as the state sector seeks to lift cultural capability and embrace matauranga Māori.

Using procurement as a tool to open opportunities to specific groups

Social procurement levers are being used by some entities to open employment opportunities to diverse groups and increase the uptake of apprenticeships. For example, Ngāti Toa are applying a social procurement model by requiring supplying contractors to demonstrate that they employ Ngāti Toa staff. However, according to a group member, some government contracts for major construction projects in the region do not include social procurement elements such as evidence of diversity or uptake of apprentices. There is an opportunity for government to adjust its procurement model to positive effect in the Wellington region.

Supporting Entrepreneurship

Group members identified potential to support growing entrepreneurship in the region. Wellington's technology sector is characterised by start-ups and early stage business creating a growing volume of "weightless" (digital) exports. There are also good opportunities for on-line businesses that would enable new graduates to be self-employed.

Members of the Māori Business Network are receiving a high level of enquiry from people considering starting a business. In some cases, business start-ups appear to be driven by necessity in cases where people have lost employment. Business support organisations may require additional resources to assist local entrepreneurship.

Upskilling and learning pathways in the workplace

There is an opportunity to make training and upskilling in the workplace more widely available and accessible to smaller businesses.

Some large firms currently provide training in the workplace, such as tailored English language programmes. Employees with few qualifications need more intensive study support. However, for any business, study and training coordination is time consuming and small businesses may not be able to afford it. By making a collective effort across businesses it might be possible to employ a coordinator to support workplace learning of different types, including drivers licence training.

The development of a learning pathway for cleaners and security guards and the opportunity to upskill at work would open the opportunity for pay progression. The workforce of cleaners is predominantly Māori, Pasifika and women. Currently people have to work two jobs to feed whānau. The opportunity to upskill in the workplace would benefit lower paid workers.

Border restrictions are having a flow-on effect on the local workforce

Some group members are witnessing greater stability in the workforce and a proportional increase in New Zealand staff as the local labour market adjusts to the current border restrictions. In the hospitality sector, competition for experienced staff appears to be driving up wages, with reports of a baristas receiving over \$25.50 per hour. There is some concern about the impact of increased costs on business sustainability.

In the region's education sector, the dropping number of international enrolments is reducing the need for additional staff and easing the teacher shortage.

Looking to the future

Group members identified a range of future opportunities, risks and challenges for the Wellington regional labour market.

Sector opportunities for employment growth

There is a role for central government to support the local government, health and social service provision sectors and drive job creation. There are growth opportunities in in-home care and support services with increased investment and extension of service provision through the existing home-care support structure. Home help services could diversify to help people cope at home.

The construction sector is expecting employment growth on the back of the rising demand in the housing market and also as a result of upgrades to schools. There are good opportunities for women in construction. There is the ability to work flexible hours. A barrier to growth in construction is access to land and the need to protect the environment.

It is expected the technology sector, including information technology and specialised manufacturing, will continue to flourish and holds real potential for the region. The growth in technology businesses is often led by skilled people who migrated to New Zealand to work in large companies such as Xero and Weta and have then gone on to set up their own businesses.

Weta workshop has good long-term opportunities delivering location-based projects for China, with promising work continuity. There will also be a positive impact on third-party tech support companies locally as film production grows.

Group members see the current strength of the domestic visitor economy as an opportunity for the region and emphasised the importance of maintaining NZ's COVID-free community status to protect this. There is potential to attract large events to the region and to increase the attraction of areas such as Porirua as a visitor destination (for example, the planned adventure park).

One group member sees opportunities for conservation-related "green jobs" from an urban perspective. Green jobs could be connected to sustainability initiatives, e.g. in managing food waste.

Risks

Group members discussed risks to the labour market in the short and medium term. These include a risk of economic harm from oscillating COVID-19 alert levels. They see need for stability to lift the performance of the hospitality and retail sectors. A return to working from the office rather than at home would assist these sectors.

In Wairarapa, some concern has been expressed about the wine industry and whether there will be sufficient numbers of Recognised Seasonal Employer workers for the sector.

A group member spoke of potential job losses related to the downturn in aviation and travel, which will impact organisations such as Aviation Security, CAA, and Airways. This may be slightly mitigated in Wellington as it is a domestic hub.

It is anticipated there will be reduced government expenditure and this will put pressure on supporting professional services. Professional services is the largest employment group in Wellington and is very dependent on government.

One member reported some local concern about the gradual loss of commercial skills from Wellington as employers may look to Auckland for these.

Although the commercial construction industry is strong, its long-term future is uncertain. There is a risk that big firms will take on a lot of staff to meet the mid-term demand, but then encounter difficulties in four to five years. Firms are looking at ways to mitigate risk, such as using labour hire firms.

A group member observed that in construction trades, an increase in the minimum wage might drive a preference to recruit slightly older more work-ready workers, instead of school leavers. That may have a flow on effect on apprenticeships.