



# Local Insights Report

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Wellington interim Regional Skills Leadership Group

August 2020



# Introduction

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

Interviews were undertaken with 14 Wellington iRSLG members between 11 and 18 August 2020. Mid-way through the interviewing period, the Government announced changes to COVID-19 Alert Levels from L1 to L3 in Auckland and to L2 for the remainder of the country. Responses varied considerably in tone and content between those taken before the announcement and those after.

# Overview

Wellington iRSLG members are cautiously optimistic about the future, and many believe that Wellington, generally, has some protection from economic fluctuations due to the prevalence of government workers.

However, business confidence has certainly reduced following the re-emergence of COVID-19, and members indicated that more signals from Government are needed to create confidence to invest.

## Current regional labour market challenges

There are challenges on both the demand and supply sides of the labour market in the Greater Wellington region. There are also concerns about working conditions for those currently employed.

Skills shortages in construction, trades, hospitality, technology, creative sectors (eg gaming) and the primary sector persist. Although most of the shortages are in highly skilled roles (eg crane drivers, chefs), and management roles, there are some shortages in frontline roles, too. These shortages predate COVID-19.

Trade apprentice schemes will, over time, help in some areas, however there are apprenticeship bottlenecks in that smaller businesses do not have the capacity to supervise sufficient apprentices to meet demand. Further, the connections between apprenticeship schemes are not always clear to employers, and are at times not reflective of the needs of industry – an example is in the hospitality sector which is not suited to a two-year scheme.

Some sectors are seeing significant job losses, reduction of hours, or are moving employees onto short-term contracts. Anecdotally, these shifts are mostly affecting Māori, Pasifika, women, and young people, and particularly across Porirua and Hutt Valley. Another issue for these groups is low, or no, sick leave provisions.

Aviation, manufacturing, engineering, tourism and sports industries are most affected by job losses, reduction of hours and loss of job security. Further analysis would be needed to quantify the scale of this disruption.

Border exemptions are described as vital for some sectors that are critical to the region, most notably the film industry, but also construction, and those reliant on migrant labour (eg the primary sector, hospitality). Being able to fill jobs in these areas will also have flow on benefits for sectors that support film, such as hospitality and retail.

There are concerns about migrant workers already in New Zealand. Clarity on visa status is being sought by employers of migrants looking for work as employers are reluctant to take them on if their visa status is unclear. More information is needed about whether work visas will be extended beyond January 2021. If visas are not extended, migrant workers may need assistance to leave New Zealand.

In the home-support sector, some organisations have stripped back workers to guaranteed hours only. The result is a reduction in hours and pay, and under-utilisation of workers. In some sub-regions, particularly Wairarapa and Kapiti, there are shortages of home-support workers, which is likely to be exacerbated if borders remain closed to migrant workers.

Some employers are already seeing, and are concerned about, mental health issues and burnout. Some employers have had staff step down because of this. Mental health issues will become a greater concern if lockdown restrictions continue.

Across the region, job security is declining, especially in the private sector. This will have flow on effects on the local economy, particularly retail and hospitality. There may be an opportunity for the public sector to show leadership in this area by not reducing security, as this would signal confidence to other businesses.

There are a number of anecdotal reports, from people in the community, of young people leaving school to work full-time, in order to support families where parents have been made redundant, or to look after young siblings while parents work. At this time the interviews

provided no clear evidence to support the veracity of such concerns, however the Group will maintain a watching brief.

Overall, although there are many supports available to businesses, there is a sense that finding out about them is often difficult, especially for smaller businesses that are time poor. One option proposed by several members is to boost support and awareness via local business support organisations, which already have well established networks and relationships.

## **Current regional labour market opportunities**

In general, members see that there are opportunities for job creation, particularly in sectors such as construction and film.

Most members believe that there are opportunities to re-train and re-deploy displaced workers. However, there needs to be more visibility of what skills are available to fill vacant roles, and more local coordination to ensure this takes place. Those who are continuing to hire new staff (other than those experiencing skills shortages, as noted above) are seeing good response rates, and well-qualified candidates applying for available roles.

The Wellington construction sector has reasonable confidence in the short-term, more so than other areas, however, creating a more visible all-of-Government pipeline of construction projects nationwide (eg sharing of design work and consent numbers to paint a clearer picture) would provide operators with greater confidence to invest, which could lead to new job creation. Speeding up responses to proposals and funding requests would help, too.

Members suggested there may be an opportunity to support businesses to take on temporary workers while they lack confidence to take on permanent workers, or face different market demands and seasonal fluctuations. Workers would also need support to take on temporary work, without impacting on entitlements to welfare. Although taking on temporary work will not improve job security, having some form of work is important, and could lead to more permanent arrangements in the future. COVID-19 has added layers of complexity to how people get work done in some sectors. Those with policies requiring that employees are COVID-19 tested, like food manufacturing are finding it more difficult to hire temporary workers. Centralised testing and vetting of displaced workers could help businesses hire temporary workers faster.

The hospitality sector is experiencing both skills shortages and difficulty attracting frontline and management workers. At this juncture, there is an opportunity to reshape perceptions of hospitality as a good career option, and, in doing so, attract displaced workers. Government could assist in promoting hospitality as a career option, alongside sector groups.

Concerns were expressed that ongoing skills shortages in the health sector workforce (eg aged care, residential care) will be exacerbated if migrant worker visas are not extended. To alleviate this, with coordination, workers from other sectors that also have an element of caring (eg retail, travel and hospitality), could be retrained and redeployed.

## **Looking forward six months**

### **There are clear areas of opportunity to investigate**

Notwithstanding the country reverting back to COVID-19 restrictions, members are largely still reasonably optimistic – “we’ve done it before we can do it again” – and the transition to Alert

Level 2 has been smoother this time. However, members in Wellington have reservations about how many times they could make the transition between COVID Alert Levels.

Willingness to predict three to six months ahead dropped markedly after the re-emergence of COVID-19 in August, and confidence to invest has reduced. Members note it would be helpful to have greater transparency regarding Government forecasts of how long “yo-yo-ing” between Alert Levels might go on, to allow for forward planning.

Some small businesses, in particular in creative sectors that supply services to government agencies, are reporting delays (from the government agencies) in undertaking contracted work and/or contracted work going on hold. Communication is slow about these projects, making it difficult for small businesses to forecast their labour needs. The impact will become more significant once the wage subsidy ends for these businesses, and job losses are a likely result.

Faster communication from contract owners and procurement teams is needed assist with forward planning.

It was also suggested that government agencies could look at their social procurement policies to better support small and medium businesses directly and through local government purchasing. Kāinga Ora was noted as an example of an agency doing this well.

All members note that the true extent of displacement is likely being masked by the wage subsidy. There are particular concerns about the flow on effects of a second round of redundancies on retail, hospitality and domestic tourism.

Most members believe that retaining a COVID-19 free status could be a significant opportunity for growth for New Zealand. In the Wellington region, these opportunities are pertinent in the film sector – insofar as New Zealand could provide a safe place to film – and in food production (ie by providing an environment to produce safe, high quality food).

There are some opportunities for more manufacturing of raw products, in Wairarapa especially (eg coarse wool, sheep’s milk).

There are a lot of smaller, vibrant businesses that could be supported to capitalise on the opportunities identified, and many members believe that support/focus should be “over-weighted” to these businesses. Government and peak bodies should work to identify these businesses, and work with them to break down as many barriers as possible. Displaced workers could be trained for this work.

Large firms also play a particularly important role in the productivity performance of small advanced economies. Identifying and supporting those which have got real potential for creating good jobs at scale and with high productivity will be key to recovery.

A focus on green jobs is also suggested as an area that could assist with the region’s economic recovery, as well as supporting carbon reduction goals. An area of opportunity exists in composting coffee cups and similar products. A current barrier in this area is the lack of an aggressive government stance, similar to that taken on plastic bags. Taking such a stance would force people to make changes, which could create jobs (eg at composting centres), as well as having a positive environmental impact. There are concerns that some green jobs schemes are not sufficiently funded so as to provide workers with a reasonable income and standard of living.

There has been a growing need for more bilingual, culturally competent workers, particularly in professional sectors. Government and employers could consider more investment in training displaced people in this area.

COVID-19 has resulted in more flexible work arrangements, and consideration of workers' holistic needs. If embedded, this may create more meaningful employment experiences, and have wellbeing benefits. There are mixed experiences and mixed messaging, though. Clearer expectations in the public sector (ie when and how working flexibility is appropriate, or whether 'flexible-by-default' is the accepted model) and sharing of success across the board could assist with embedding gains.

### **However, members also have concerns for the future**

The already fragile retail and hospitality sectors, as well as the events sector, could experience further difficulties if domestic tourism numbers are not sufficient and if big events do not go ahead over the summer. This reality is of particular concern to Wellington City and Wairarapa. More promotion of domestic tourism would help.

There are some concerns in film post-production sectors, due to a lack of a pipeline of work as little physical production is occurring. Making physical production in New Zealand more attractive could ease this concern.

Some members noted concerns about movement within regions, and wonder if this will create more supply or more shortages. Some data and modelling around internal labour movements would be useful for planning purposes.

Members note that, across the board, there is a lot of cost-cutting occurring as a result of COVID-19, and this is resulting in reduced hours and stagnation of wage growth. Members expect more restructuring to take place next year. These measures have, and will, continue to have flow on effects in sectors such as retail, hospitality and tourism as discretionary spending decreases.