

Waikato Local Insights Report: November 2021

Focus on the Construction industry and Infrastructure sector

INTRODUCTION FROM THE RSLG CO-CHAIRS

Tēnā koutou katoa, the insights in this report focus on the Construction industry and Infrastructure sector and include reflections from group members and regional sector stakeholders.

The **Waikato Construction Industry** experienced an annual growth rate of 3.1 percent from 2010 to 2020, although it still requires a significant injection of skilled workers to meet the demand of projects in the pipeline. Rather than sustained investment on workforce development and upskilling, some businesses are procuring the skills they need from other businesses who do invest in their workforce. The upwards wage pressure that this has caused can be alleviated through more employers investing in workforce development.

With ongoing supply chain constraints and price uncertainty the industry's continued success relies on astute commercial practices throughout its workforce. Despite the uncertainty in predicting the effects that the COVID-19 pandemic will have on the construction industry; concerns have already been identified that are challenging these commercial practices. These concerns include:

- compliance costs – ie social distancing requirements on site, causing and delays caused by the through strictly limited numbers of workers allowed on site
- the costs that a contractor can claim due to suspension of work during the lockdown period
- flow on project delay costs – ie to reschedule future builds due to the delays caused when the Contractor couldn't work during the lockdown period
- uncertainty of timing of projects coming to the market due to delays in design and consent phases. This leads to shortened tendering and construction periods adding risk to the project & to the contractor.

Waikato industry is still dealing with the financial affect and losses caused by time spent in Alert Level 4 in 2020. During this period businesses saw non-payment due to suspension of work, and this caused the industry to lose millions. It has led to greater caution about taking on private sector contracts throughout 2021.

TRENDS AT A GLANCE



The Construction sector accounts for 10% of the labour force in Waikato, with 24,690 filled jobs during the 2020 year.



58% of jobs in the Waikato were supported by the wage subsidy, with the construction industry having highest uptake.



In construction and trades there is a shortage of higher skilled professions like engineers, but a surplus of labourers. There are also shortages of tanker drivers and general truck drivers.

TOP LABOUR MARKET OPPORTUNITIES

- 1. The workforce needs for construction are changing as there is convergence with other industries, for example manufacturing in pre-fabrication.** This means the future workforce will need different skills and thought is required to understand and develop the qualifications for new entrants and upskilling the current workforce. "We are seeing a shift now to more investment in local manufacturing, we're seeing people adopt technologies, things like automation and AI (artificial intelligence), things that may be able to compensate for not having the people to do the work." Building Industry Federation, Chief Executive Julien Leys.
- 2. Iwi are partnering up to create career pathways for future leaders.** Waikato Tainui and BCITO are supporting their third cohort through the trades programme, Te Waharoa. The 10-week course targets tribal members who are youth (15-24 years) and Not in Employment, Education or Training (NEET). The course not only provides students with paid work experience, the necessary training certificates, and employment upon successful completion - they are also immersed in Waikato history and culture. Many of the students have never connected with their culture or marae before.
- 3. Māori businesses are collaborating to compete with the big players.** Six Māori owned trades businesses recently formed a company and have attracted another 34 Māori owned trades businesses who've committed to being available as subcontractors. This will allow them to enter into contracts for housing developments as the main contractor.

TOP LABOUR MARKET CHALLENGES

- 1. Ninety five percent of Waikato construction businesses indicated in a survey that skills shortages are a problem.** Finding and retaining key staff is critical in completing current builds, let alone the 4,970 dwellings in the Waikato that were consented in the year ended September 2021 (an increase of 23 percent compared to the year ended September 2020). The industry is hopeful that new immigration policy settings that increase the number eligible to apply for residency will not only help progress current projects, but will also strengthen businesses that have been weakened by successive labour shocks. [Te Waka Business Sentiments Survey 2020]
- 2. Industry and business are looking to provide independent in-house training and education to 'fill the gap' between formal education, and the skills required on the job.** Some skills taught through formal pathways are not deemed applicable or relevant to the job, and some employers see High level qualifications as an indicator of "intellectual grunt" and their ability to be taught, rather than demonstration of the practical skills themselves. This can be seen an opportunity to address through the Review of Vocational Education (RoVE).
- 3. The industry is losing invaluable institutional knowledge with every retiring worker.** The knowledge gap in experience between highly skilled retiring workers and new workers is at least 30 to 40 years. Investment and support is required to ensure the successful transfer of skills. We also see a lack of connection between the construction industry and secondary schools adding to this gap. This is amplified by limited or poorly resourced or advised school careers departments and leads to lost opportunities to effectively connect school leavers with industry pathways.



OUR FOCUS FOR THE NEXT 2 MONTHS:

- The RSLG is focussed on the development of the Regional Workforce Plan, due for completion by June 2022
- They will be completing sector deep dives into the Primary; Manufacturing; Engineering; and Transport and Logistics Sectors
- They will also be completing a review of engagement with the Rangatahi Youth demographic