

TOP REGIONAL INSIGHTS



The Otago Labour Market is turbulent as Omicron exacerbates existing labour shortages. Otago is experiencing its peak of the Omicron wave, placing pressure on almost all workplaces as they struggle to find staff to operate. Workplaces are not well positioned to respond, as the Omicron peak arrives at a time of chronic worker shortages, with upward pressure on wage levels apparent and workforce churn increasing. Employers report workers are pressing their advantage to seek more favourable wages and conditions, challenging long term viability of some businesses.

RSE workers are struggling to get home. Strict home border limitations and a lack of flight availability have meant that most Recognised Seasonal Employer visa holders (RSE workers) in Central Otago are unable to return home. Harvest is largely complete with limited winter pruning work available in the region, and there is concern for worker wellbeing of those remaining in New Zealand. Agencies are exploring options to safely house and keep these workers engaged through alternate employment options in region and elsewhere.

Dunedin construction labour investment is tapering off as sector confidence levels drop. Material shortages, a slowing market, and the full effects of the omicron wave are applying pressure. Firms are being cautious about hiring additional staff as uncertainty mounts, and some businesses have failed in the past quarter. Local firms are also expressing doubt as to whether the Dunedin Hospital rebuild will provide sufficient opportunity to justify further investment in workforce capacity, as the contracting process may see firms outside of Dunedin engaged.

Overseas visitors are returning but it will take time for numbers to return to pre-COVID levels. Tourism build back will be more gradual as overseas visitor sentiment remains cautious. Bookings from Australia are showing a lift as ski fields open in July and inbound flights to Queenstown resume, but operators are forecasting activity to reach only 65 percent of pre-COVID levels by year end. This is likely to result in a slower build back of the workforce in tourism dependent firms/sectors.

TRENDS AT A GLANCE



25% Quarterly worker turnover rate in Queenstown Lakes, compared to a national average of 16%

Source: Queenstown Lakes District Council, Economic Development Unit, April 2022



11.3% Average wage growth in Inland Otago, well above national growth of 7.4%

Source: Queenstown Lakes District Council, Economic Development Unit, April 2022



6,688 active COVID-19 cases in the Southern DHB on 27 April, practically the highest per capita rate in New Zealand.

Source: Ministry of Health COVID-19 Reporting

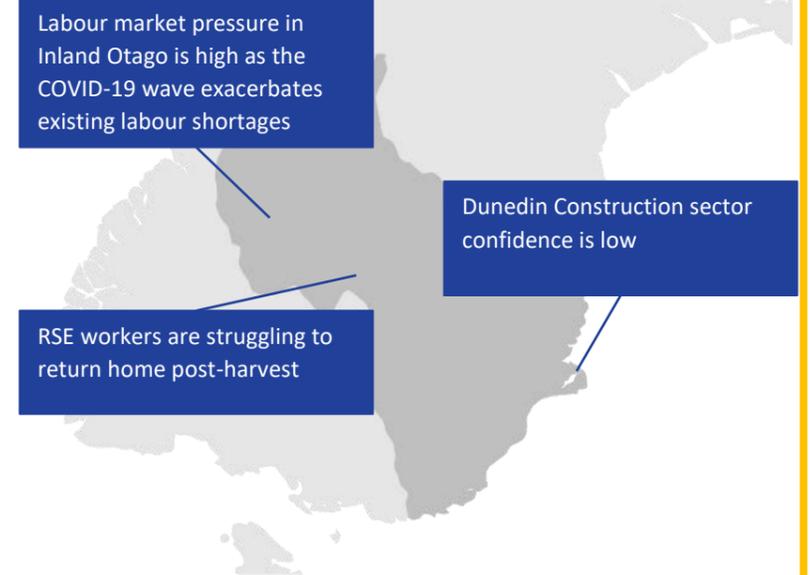
TOP LABOUR MARKET OPPORTUNITIES

- “Restorative Tourism” is the new future.** Tourism operators are exploring opportunities to build a more sustainable tourism model, one which sees visitors contribute more than they consume. This will require different skills in the sector, and work is underway nationally and regionally to articulate the opportunity for individuals and businesses to transform.
- Inland Otago building consent activity and construction demand remains strong.** There is an expected slowing of market activity based on higher interest rates and tougher bank lending requirements, but at this stage the market remains strong with sales and average prices showing a lift in the first quarter of 2022. Workplaces report that labour demand for trades roles remains high but expect sector activity to plateau later in 2022 potentially cooling demand.
- Local volunteers rally to support the essential health delivery workforce.** The Southern Heroes initiative, led by Business South, was a response to COVID-19 related staff shortages in the health sector. It saw over 80 firms and a large number of individuals providing voluntary service to support essential Health providers. It provided a good learning opportunity for how employers can collaborate to respond to workforce pressures in the future.
- The international Snow workforce is coming.** The ski industry has received 275 visas nationally for critical skills, which will enable them to open for the season. This will allow them to continue work on their industry transformation strategy to build and develop the Kiwi workforce, utilising the skills and experience of a global workforce of snow specialists to complement workers we have locally.

TOP LABOUR MARKET CHALLENGES

- The introduction of the Immigration ‘Accredited Employer Work Visa’ is coming at a difficult time.** The hospitality sector has endured significant disruption with COVID-19, increasing inflation, rising cost of food and reducing household’s disposable spend. Concerns are growing that introducing additional cost to accessing staff at this time will exacerbate these challenges for small and medium sized hospitality business owners and make them unable to meet that 1.5x the median wage required. For example, as of February 2022, the average hourly rate for a pastry chef in Otago was \$24.41 - significantly below the median wage of \$27.
- The gap between labour demand and supply is widening.** In Inland Otago only 234 Jobseekers on benefits are classified as being ‘ready for work’, which is the lowest since the pandemic began. While at the same time job ad numbers have almost quadrupled from a year ago with 506 job ads in February.
- Rural land use change will affect the future regional workforce.** Viability of carbon farming is seeing pastoral properties with quality soils in Waitaki and Clutha convert to forestry plantings. This has the potential to reduce the overall workforce requirements in rural areas as land will require little or no labour input – however it will also disrupt local food supply chains, leading to further workforce implications.
- Drought conditions are significantly affecting pastoral farming in South and West Otago.** Although immediate employment issues are not being felt as a direct result, a tough winter is being anticipated which will affect farm profitability. This will have flow on effects to the viability of ongoing employment over the longer term.

THE OTAGO REGION



OUR FOCUS FOR THE NEXT 2 MONTHS:

- Completion of initial Otago Regional Workforce plan
- Commencement of in-person meetings, with hui to be held in Queenstown and Dunedin
- Establish working relationships across mana whenua and Māori organisations