

NZ Workforce, Grow, skill and retain

Craig Renney, June 2022

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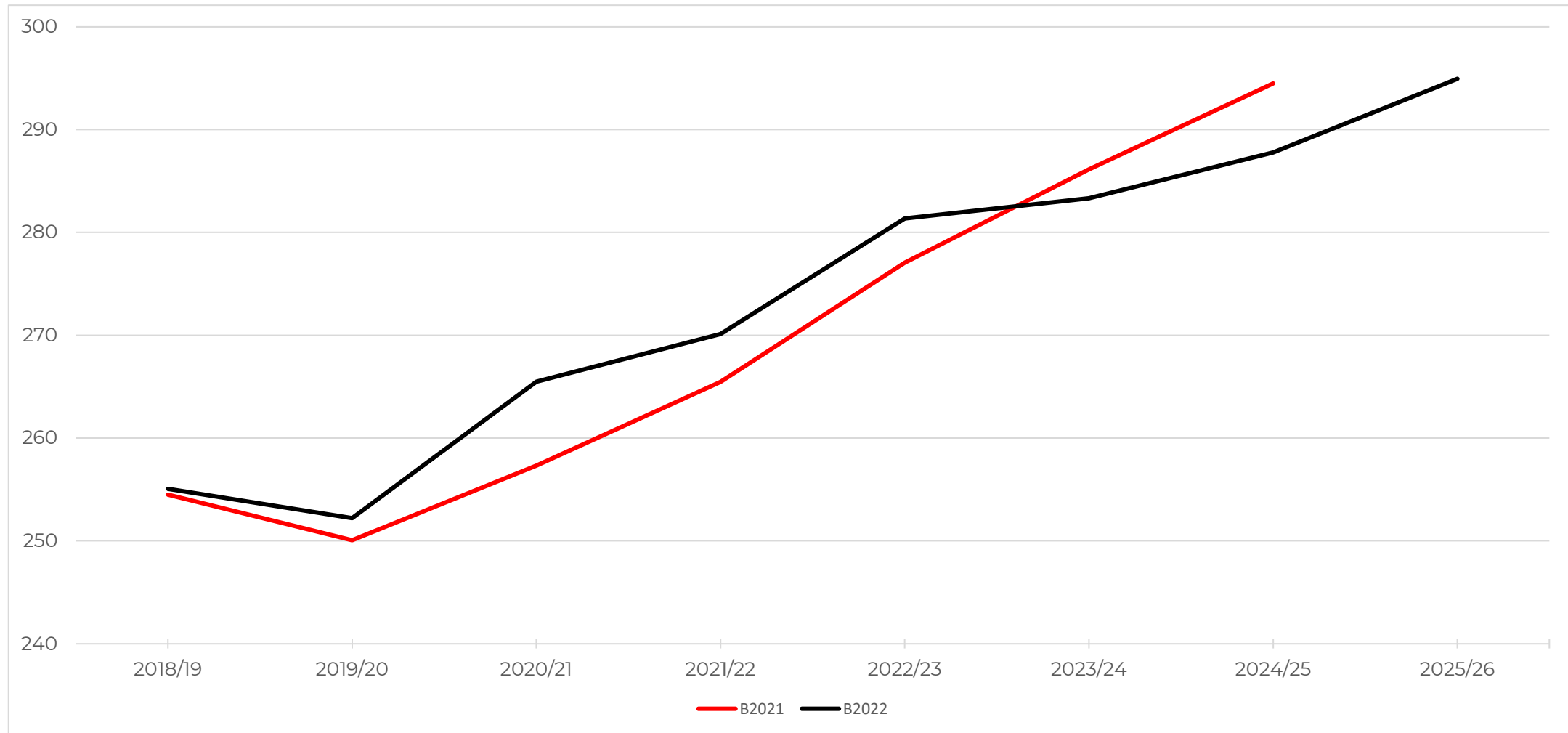
- **Economic Context & Forecasts**
- **Workforce Challenges**
- **Government Actions**
- **What is going to happen in the short-run?**

Background to the economy...

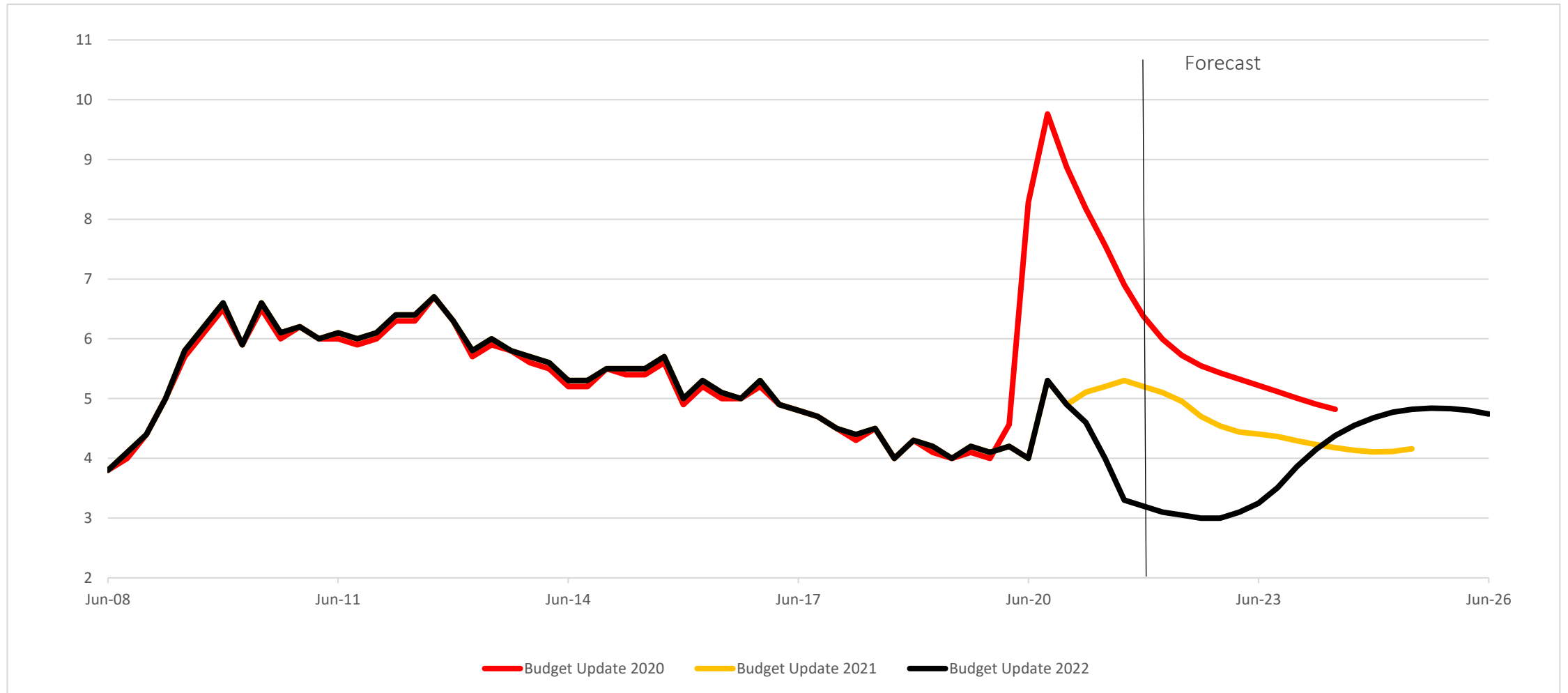
- Inflation at 6.9% has been causing no end of problems for the government
- Weaker than expected international economic growth
- A narrative of 'wasteful spending' is gaining currency with the public
- At exactly the same time as government should be investing
- \$104bn Infrastructure gap identified by Treasury
- **Needs of New Zealanders are growing:**
 - Social Housing Waitlist quadrupled
 - Child Poverty Indicators
 - Backlog of unmet health need
 - Education has been hugely disrupted

Treasury views of the Economy...

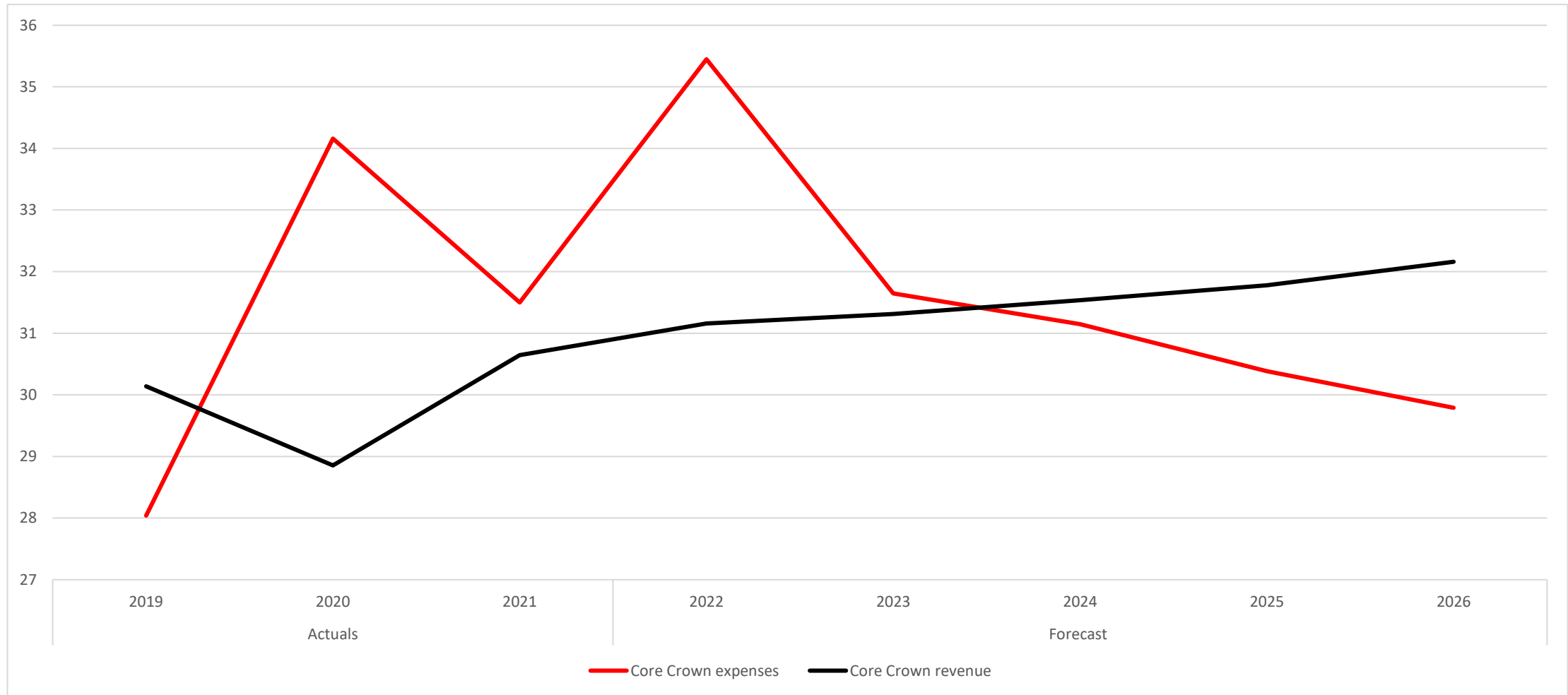
Treasury View - GDP



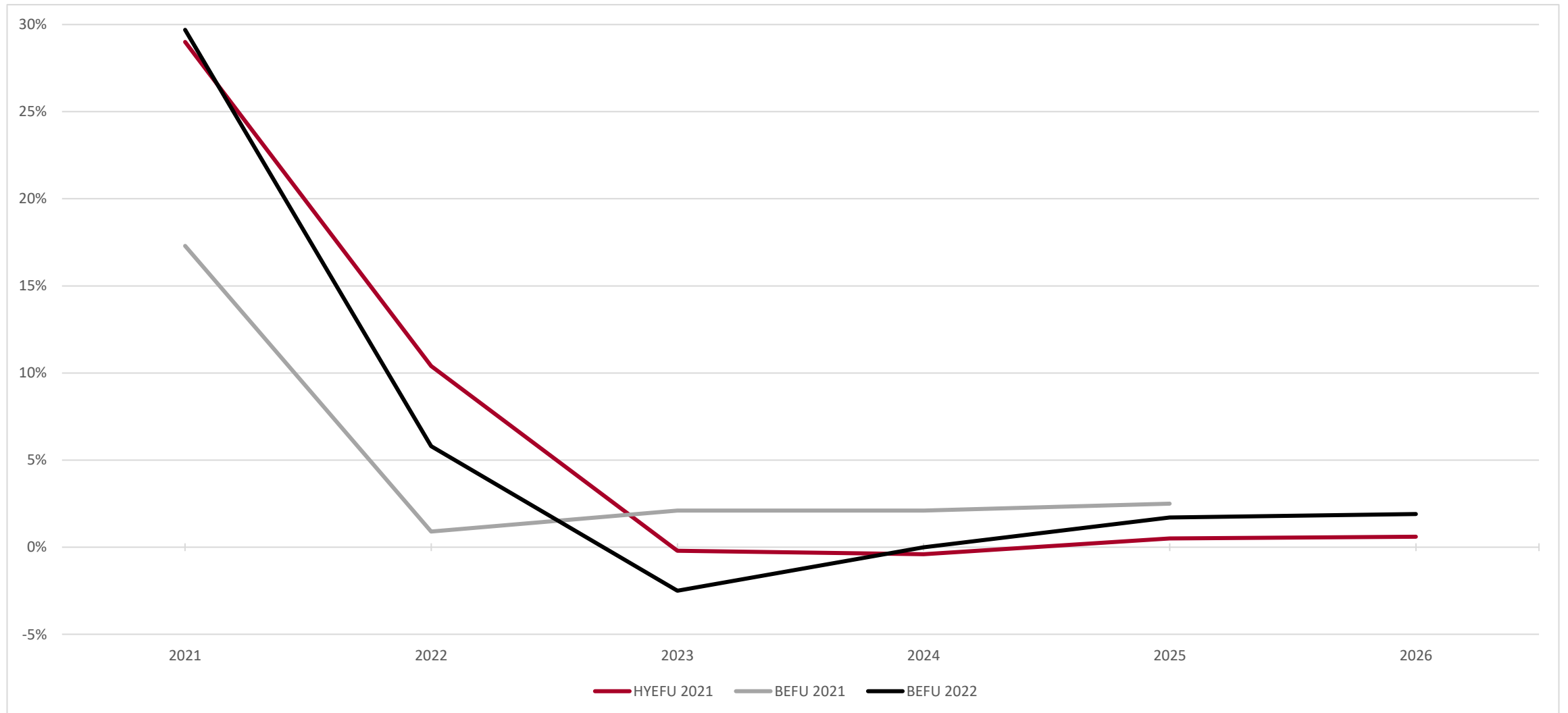
Treasury View - Unemployment



Treasury View - Expenses and Revenue



Treasury View - House Prices

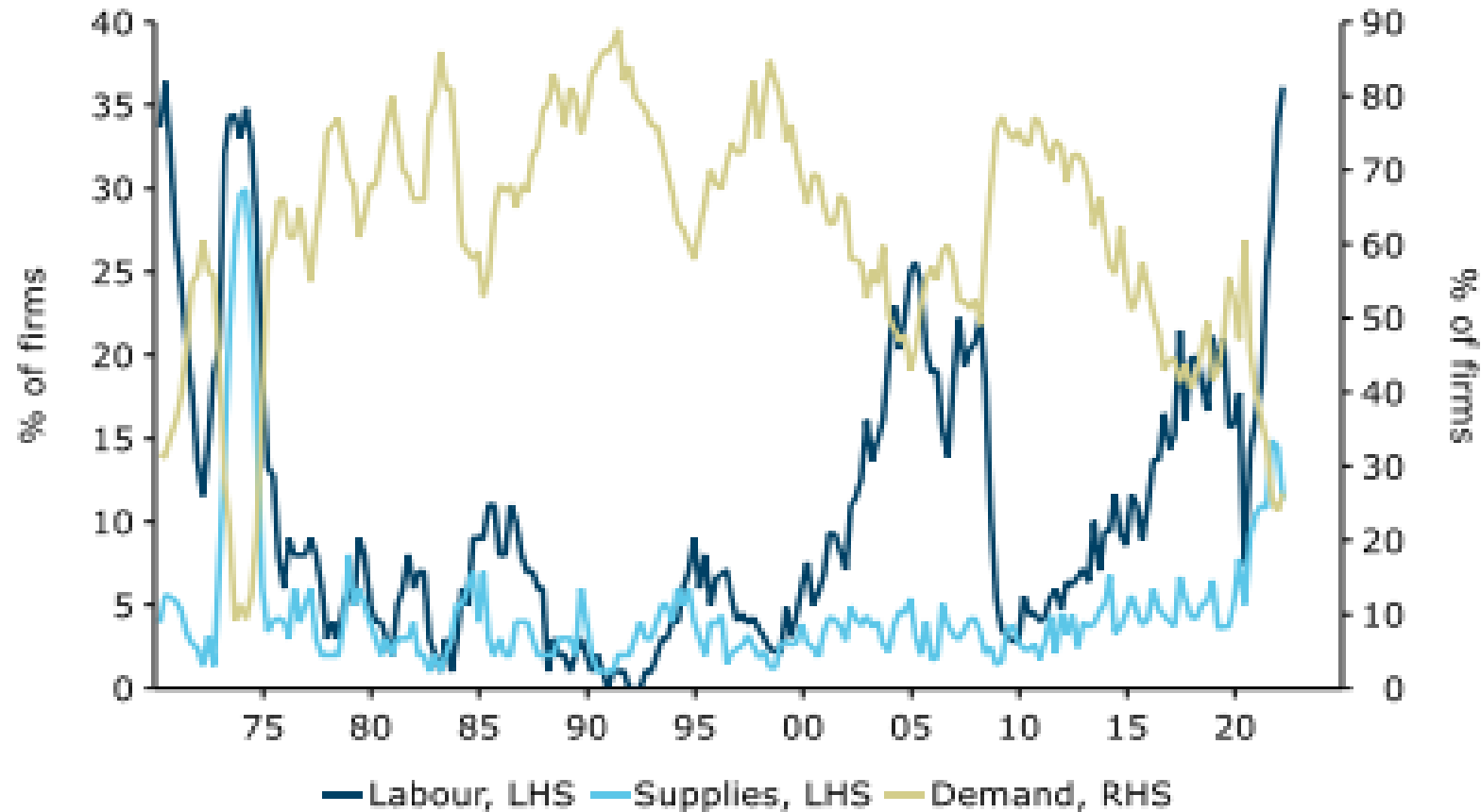


The central economic challenge...finding a workforce



Difficulty finding Labour #1 challenge - NZIER

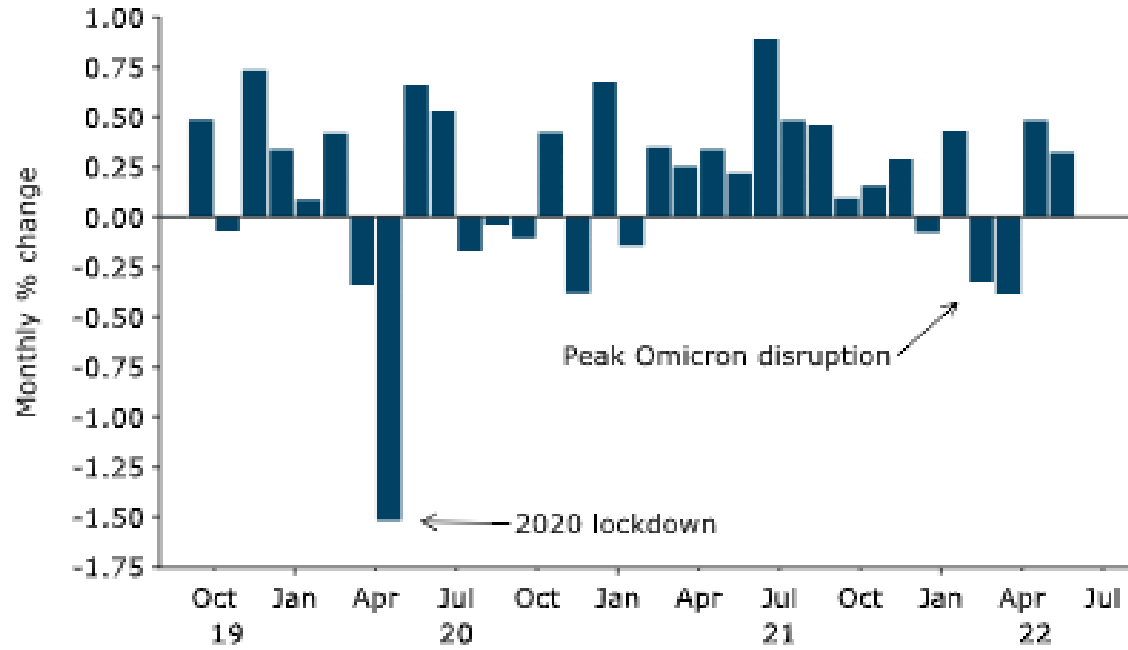
Figure 4. Limiting factors



Source: NZIER, Macrobond, ANZ Research

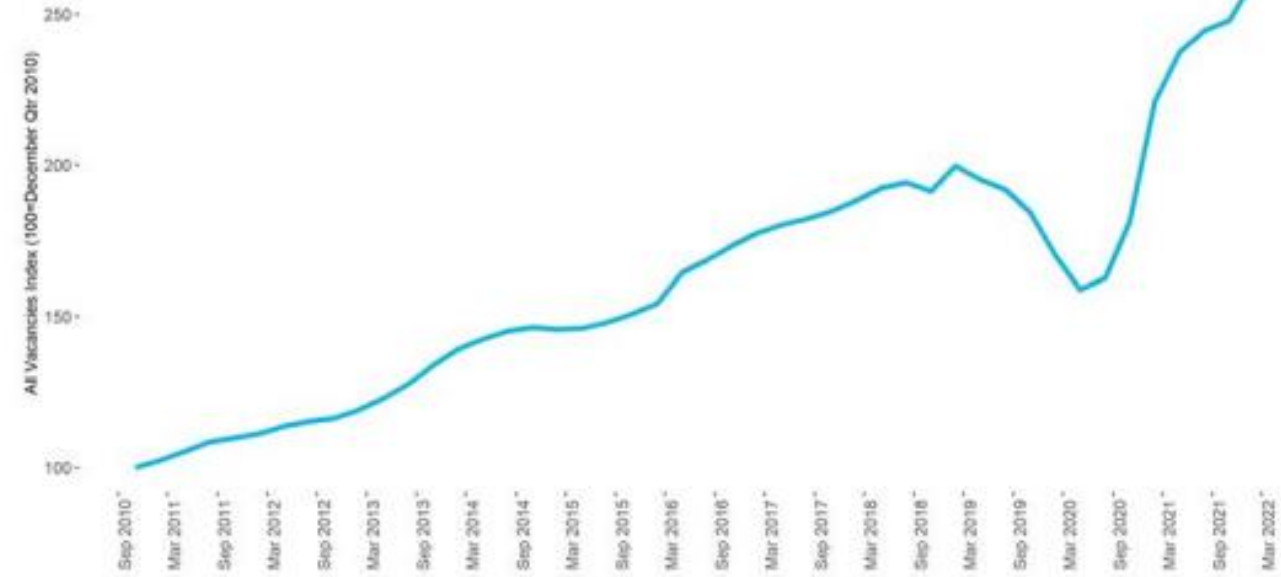
Labour Market Slack Disappearing

Figure 1. Monthly filled jobs growth

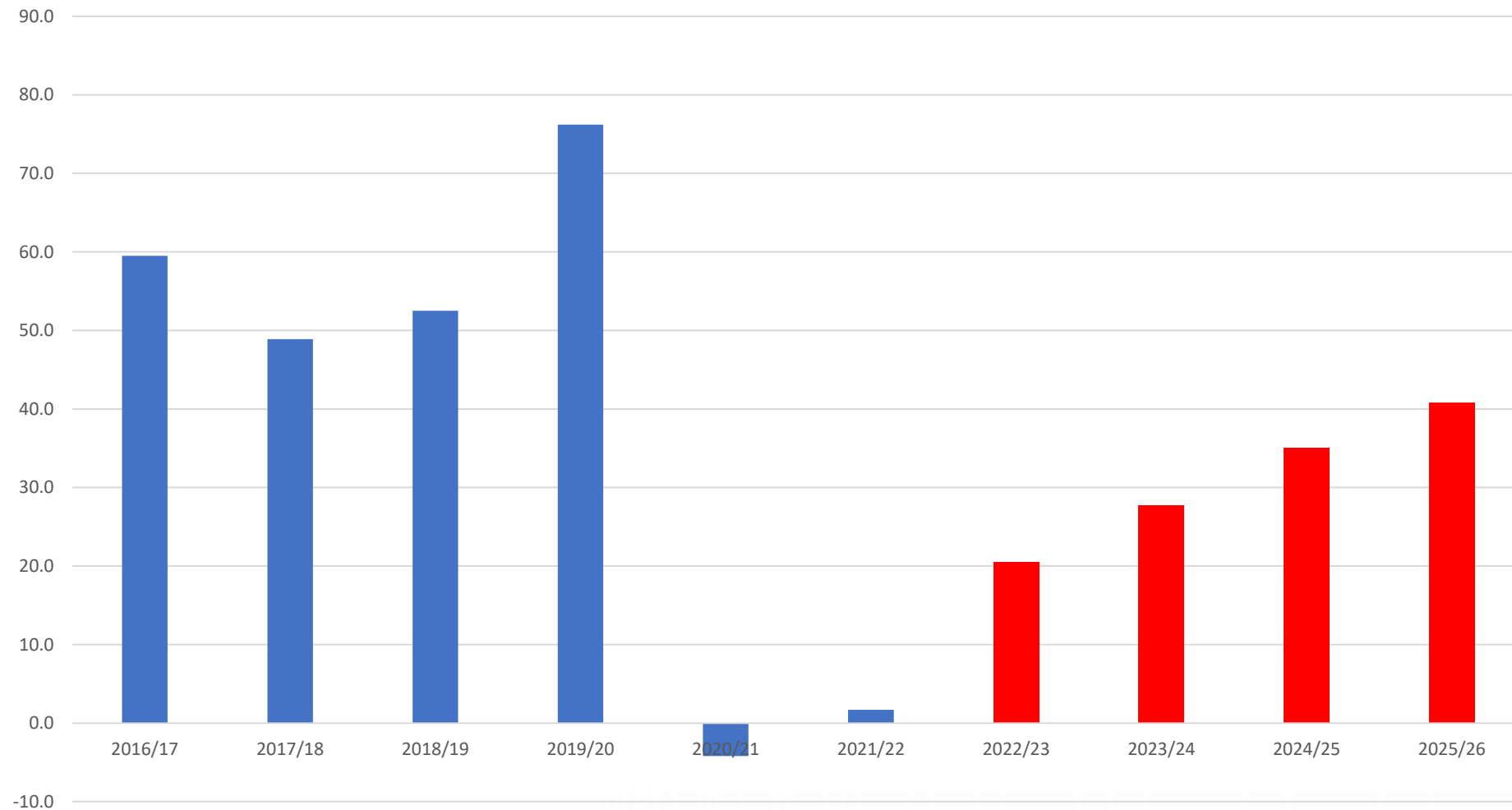


Source: Stats NZ, Macrobond, ANZ Research

Figure 1: All Vacancies Index (online job advertisements)



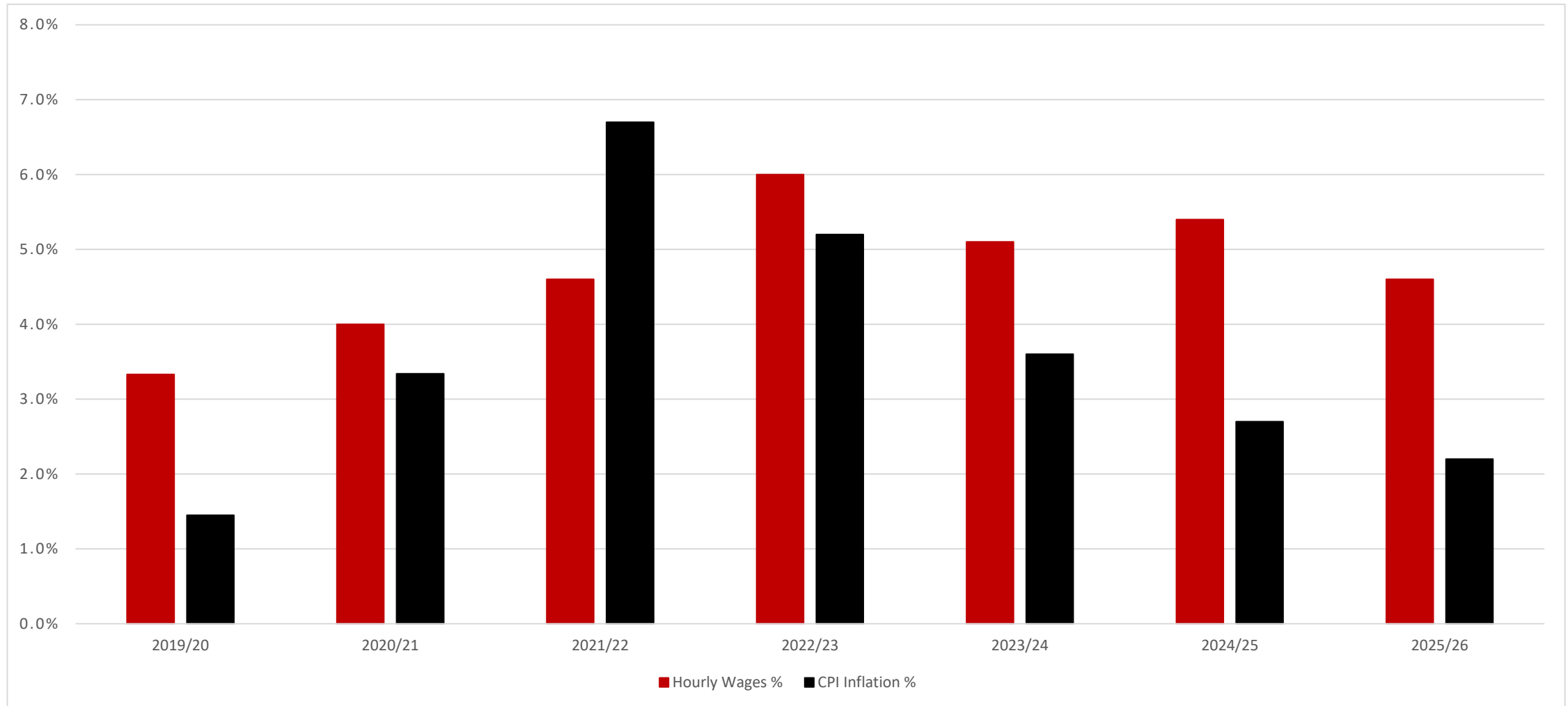
Net Immigration Flows – Thousands



Shortages of staff are prevalent everywhere

- **Air New Zealand reported last week that it wants an additional 1,100 staff**
- **Primary and Secondary Schools are short of 1,000 teachers**
- **4,000 qualified nursing staff short across New Zealand**
- **Mount Eden Prison is reportedly short of 103 Correction Staff**
- **Accommodation and hospitality outlets alone will need to recruit between 20,000 and 30,000 staff to meet demand this year – Hospitality NZ**
- **A shortfall of 120,000 construction workers by 2025 - Construction Sector Accord**

Treasury View - Wages and Inflation (CPI)



Government Actions

- **Immigration Reset & Residency Changes**
 - 165,000 'one-off' residency change in 2021
 - Immigration Reset – Green list of trades and Streamlined Residency
- **We have had a blizzard of acronyms in the education sector that are trying to tackle the issue of skills and workers shortages**
 - Regional Skills Leadership Groups
 - Workforce Development Councils
 - Industry Transformation Plans
 - Reform of Vocational Education
- **Changes to encourage more training – including \$280m to support 38,000 apprentices through the Apprenticeship Boost programme**
- **The key thing is that all of these will deliver in the long-run**

What is going to happen in the Short-Run?

- **Workers are going to continue to be in short supply – and that is likely to get worse**
- **Workers should be better able to negotiate better terms and conditions – and we should see higher levels of labour mobility between firms**
- **Where skills are scarce we will see this play out for longer – exacerbating the K-shaped recovery we have had from COVID**
- **If employers want skills they are increasingly going to have to train existing workers rather than hiring in new staff**
- **Workplaces are going to have find new ways of becoming more productive with the staff that they have**

To Conclude...

- The Treasury and all of the Major Banks are predicting slower growth in the future, but still growth
- They are also projecting a 'return to normal' for the economy after COVID-19
- Projections at the minute should be considered 'serving suggestions' given the data we have
- All current credible forecasts are showing a tightening labour market with lower unemployment in the short-run
- Employees may have more of a free hand to negotiate pay in the future – but the data doesn't show that happening yet
- Those with skills in demand are likely to do well as we recover from COVID and its economic aftermath

Questions?