

## Waikato Labour Market Strategy 2019









## Introduction

**The Mighty Waikato is home to the fourth largest regional economy in New Zealand, generating \$23 billion GDP a year from a range of sectors which together create 8.5 percent of NZ's GDP (Stats NZ 2017). Major industries include dairy farming and agri-technology, forestry and wood processing, aquaculture, manufacturing, freight and logistics, construction, ICT/Digital, the energy sector, and health and community services.**

The region's largest population centre, the city of Hamilton, is fast developing a solid reputation for its growing digital economy, and for its innovation in high-technology manufacturing and its strength in aviation and construction, as well as being recognised as an important centre for higher education.

But there's a lot more to the region than just these key employers. With a population of some 460,000 people and a changing demographic profile including a growing number of young tamariki, combined with increasing skills shortages and demand for more work-ready employees, the region needs to set a course for its labour market which ensures success.

The key to sustaining and developing this current economic and industrial growth lies in fostering a skilled and motivated workforce. The Waikato region certainly faces similar challenges in workforce recruitment and retention that are being seen across New Zealand and globally, particularly as the nature and structure of work continues to change in a 21st century technological environment.

Some of the barriers to a fully-functioning regional labour market include skill-gap challenges, difficulties with youth transitions into the workforce, the demographic aging of the workforce in some locations, high youth unemployment in other parts, the problems of rural locations lacking access to travel options, the growing impact of technological automation on traditional jobs, along with poor digital enablement in parts of the region.

With that in mind this Labour Market Strategy explores ways to ensure that businesses can attract, develop and retain the skills they need to grow, along with aiming to increase the levels of literacy and numeracy and educational attainment in our youth and workforce.

This 2019 Strategy arises from the work of the Waikato Regional Labour Market Group, a collaborative network of key stakeholders from business, community, education and government sectors engaged together in labour market issues in recent years. Initially working in concert with the prototype economic development agency, Waikato Means Business, the Labour Market Group has been committed to supporting regional initiatives, seeking a greater understanding of labour market issues and collaborating to identify alignment opportunities.

Now with the creation of Te Waka, the opportunity to recognise labour market development efforts as part of delivering the Waikato Regional Economic Development Programme 2018-2022 Section C, actions 1 and 2, has driven this review of the group's original 2014 Strategy.

This 2019 Strategy aims to inform the priorities of Te Waka in their efforts to bring about stronger regional connections and collaborations, and to develop action-focused, sector-led initiatives in areas such as vocational skills, education, and employment.

## Our Waikato

**The Mighty Waikato region covers 25,000 square kilometres, and contains the longest river in New Zealand (the Waikato River), the largest lake (Lake Taupō), and the country's most important geothermal systems. It stretches from the Bombay Hills and Port Waikato in the north down to the Kaimai Ranges and Mt Ruapehu in the south, and from Mokau on the west coast across to the Coromandel Peninsula in the east.**

The region contains 10 district councils, one regional council and one city council. Hamilton is the region's major population centre, and 35 percent of the region's population of 460,000 call the city home.

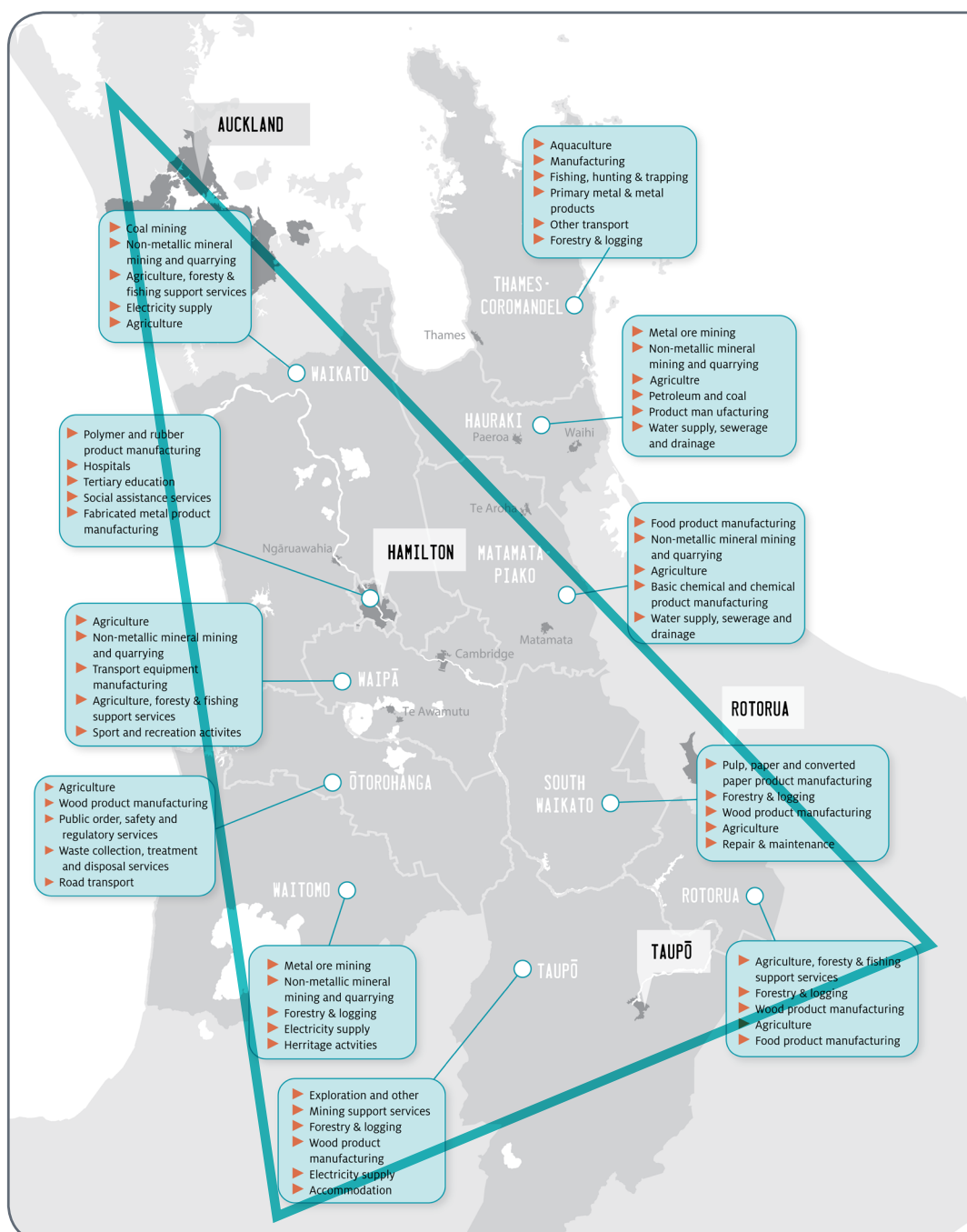
The Waikato's prime location and diverse economy are at the heart of the region's competitive advantage. As part of the 'Golden Triangle' with over 2 million people between Auckland, Tauranga and Hamilton, the opportunities are significant to drive economic growth. The region's stunning environment and relatively affordable housing, educational opportunities and community networks add up to a place of opportunity for workers, business investors, students and visitors.

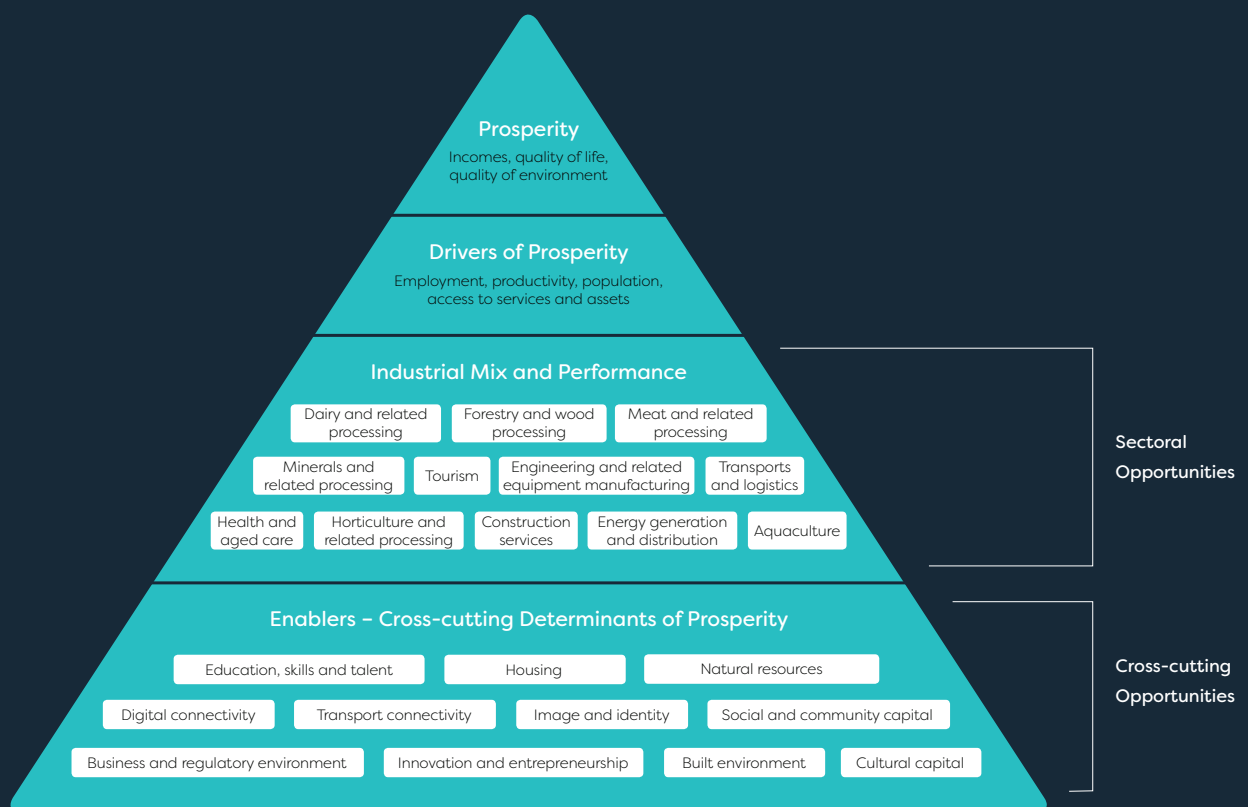
Te Waka's wider economic development strategy states that by 2035 the region will have achieved:

- Household incomes above the New Zealand average
- Value-add per capita growth of greater than 2.8 percent per annum
- Productivity growth of more than 1 percent per annum
- The proportion of working age people (15-65) with Level-4 qualifications above the New Zealand average
- Value-add for the region's key economic sectors increased by 80 percent
- International export value increased by 1.5 percent per annum.

However despite the region's natural advantages and

strong economy, research has shown that businesses still find it is difficult to attract and retain skilled people, and that young people are often not actively engaged in developing the skills needed for the workforce of the future. With this in mind, there is a collective appetite from the region's contributors and influencers to change the story, and to work together to fully recognise the economic, cultural and social potential of the Waikato.





## The Programme

**It is important to recognise that the labour market itself acts as an enabler to the overarching Waikato Regional Economic Development Programme 2018-2022 as prepared by Te Waka in consultation with the region's key leaders.**

The key sectors for the Waikato region have been identified based on their relative contribution to GDP, jobs, labour productivity, export performance and comparative advantage, along with the cross-cutting opportunities from underlying systems which provide the platform for economic success.

Te Waka's role is to contribute to overall community prosperity, focusing on economic wellbeing, while not losing sight of wider wellbeing and sustainability goals and quality of life as set out in the Waikato Plan and in international frameworks.

The Waikato Labour Market Strategy acknowledges its role as a contributor to the overarching programme, Section C, actions 1 and 2 and highlights a model of collaboration to achieve the necessary collective impact. It is also acknowledged that significant labour market work is being undertaken in related sectors, such as the Waikato-Tainui Economic Action Plan 2018, and the Waikato International Education Strategy 2016, as well as economic development and labour force planning within ITOs and territorial local authorities.

### So, what will success look like ?

A future-proofed regional labour market capable of serving business and industry needs while providing economic, social and cultural growth opportunities for the Waikato.



## Waikato statistics



**32,300\***

Estimated number of new jobs in the region 2018-2021



**\$49,513\*\***

GDP per capita while the National coverage is \$54,000

Sources: \*Jobs estimate by BERL for Waikato-Tainui 2018. \*\*GDP Waikato: Stats NZ Sept 2018.



**The Waikato region's unemployment rate is falling**  
3.4% unemployment down from 6.2%<sup>^</sup>

NATIONAL UNEMPLOYMENT RATE ROSE TO 4.3%<sup>^^</sup>

<sup>^</sup>March 2016. <sup>^^</sup>December 2018.



**20,000**

people are hired each quarter in the Waikato

**70.9%**

labour force participation rate  
NATIONAL: 67.8%

**69.9%**

employment rate  
NATIONAL: 70.7%

**60%**

of all age groups (18-64) in full-time paid employment  
NATIONAL: 67.4%

**84.8%**

school leavers with Level 2 or above  
NATIONAL: 84.9%

**11.9%**

of NEETs  
NATIONAL: 10.9%

Source: MSD & Stats NZ Sept 2018.





## Regional sectors

**Six key industries in the Waikato make up 97 percent of the regional economy and 95 percent of the local workforce. These six key industries are:**

### Manufacturing

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The Waikato manufacturing sector accounts for 12 percent of New Zealand's regional economy, and contributes approximately eight percent of NZ manufacturing's GDP. Labour force requirements include managers, technicians, skilled trades workers, and labourers. Manufacturing (along with construction and ICT) offers the highest wages in the Waikato region.

### Primary sector

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The primary sector is an important component of the Waikato's economy, with approximately 23 percent of the New Zealand dairy industry located in this region. Horticulture and forestry are also important regional growth industries. The sector seeks workers in a range of industries including farm managers and farm workers, staff for arable horticultural and forestry industries, along with support industries such as factory workers, truck drivers, management and sales professionals.

### Construction

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The construction sector accounts for approximately six percent of the Waikato region's economy, and contributes almost nine percent of NZ construction sector's GDP. There is a strong construction pipeline in the Waikato, with building consents on the up. Construction is one of the sectors offering highest wages to new hires within the Waikato.

### Health sector

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The health sector accounts for approximately seven percent of the Waikato region's economy, and contributes approximately nine percent of NZ health sector GDP. It is one of the fastest-growing sectors in the Waikato, and employs a range of health professionals with degrees, as well as carers and aides.

### Service industry

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The service sector is the most diverse sector, and encompasses a broad range of occupations. Hence the services sector is the largest employer in the Waikato, and is one of the fastest growing industries in the region, predicted to create approximately 1,500 jobs every year. The sector seeks largely professionals, along with sales specialists, community and personal services workers. Like the health and ICT sectors, the services sector employs a greater proportion of bachelor and above qualifications.

### ICT sector

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The ICT is a growth sector within the Waikato, and largely seeks professionals (with bachelor degree and above qualifications), along with sales staff and personal services workers.

Source: NZIER Regional Report

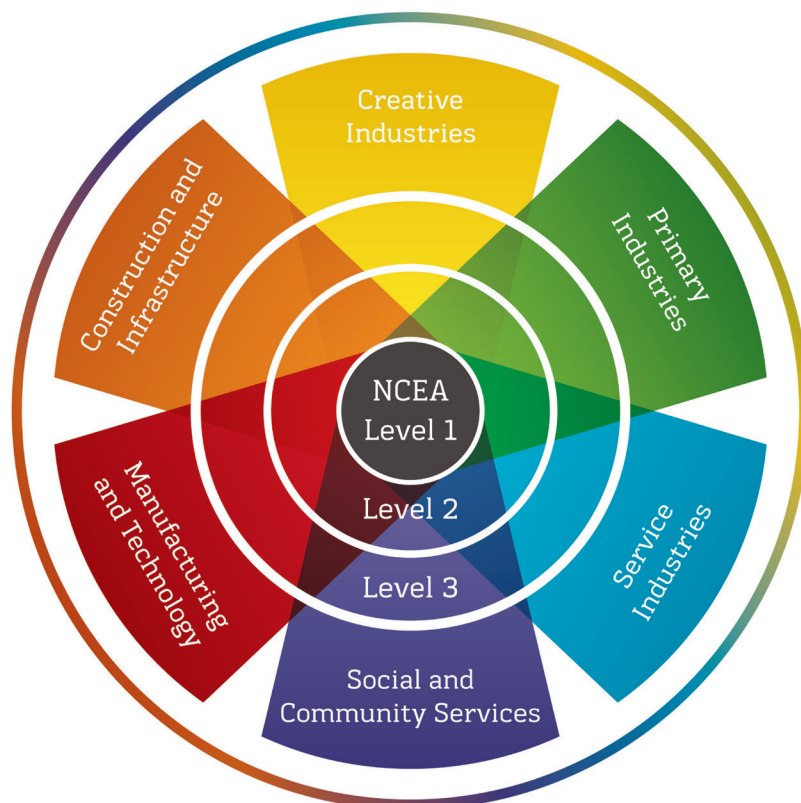


## Industry links to education

**The Vocational Pathways framework provides an important way to connect education to employment, and in particular to support students to progress on to further study, training and employment.**

Within education, the Vocational Pathways provide a framework for students to show how their learning and achievement is valued in the workplace by aligning learning to the skills needed by broad sectors of the workforce. Every business or industry fits within at least one of the six Vocational Pathways, giving a sense of the skills and experience that is likely to support a person to work successfully in that industry.

At a labour market level, the Vocational Pathways approach can help support people into a learning and employment pathway(s) where there are either a high number of current job opportunities, or where labour market shortages may be predicted.



The Vocational Pathways wheel shows the six colour coded industries

## Mapping Waikato's Key Industries to the Vocational Pathways

VOCATIONAL PATHWAYS	WAIKATO'S KEY INDUSTRIES
Manufacturing and Technology	Manufacturing
Primary Industries	Primary sector
Construction and Infrastructure	Construction
Social and Community Services	Health sector
Services Industries	Service industry
Manufacturing and Technology	ICT sector



# Considerations

**The Waikato region's labour market faces several distinct areas of challenge. These are:**

## Immediate skills shortages

These can be met by those already in workforce or by immigration to fill skills gaps. Requires communication of vacancies and skills matching by a variety of strategies, including:

- Bridging school leavers into work
- Retraining existing workers
- Finding suitable roles for those unemployed, or not in education, training or employment (NEETs)
- Overcoming barriers to employment, such as lack of drivers licences
- Attracting workers from other regions of New Zealand
- Bringing in workers from overseas to fill skills-gaps.

## Future jobs

Preparing the workforce for future changes in jobs, including automation. This requires long-term planning and forecasting to ensure that students (school/tertiary leavers) have necessary skills to meet industry/job demands. At the same time, current workers need to be upskilled and reskilled to cater for changing roles.

## Long-term demographic and technological trends

The impact of a rapidly aging population (and increased medical needs) will have significant effects on workforce availability. Changes in roles to more flexible job conditions may keep retirees in work longer. These changes will be combined with greater automation of jobs at all levels.

### The impact of automation and technological change

Technological change is ushering us into the biggest transformation of the working environment since the Industrial Revolution. Our modelling estimates that 31 percent of current jobs in New Zealand's workforce could be automated over the next 20 years.

Although there is some variation in the proportion of at-risk jobs across different parts of the

country, the biggest regional disparities are likely to be in terms of where new jobs are created. It is in this context that the fortunes of provincial and rural economies are most at-risk.

There is a growing appetite from people aged over 65 to continue working, with most of these people choosing to do so for social and lifestyle reasons.

Infometrics: From Education to Employment 2018

## Barriers to resolving labour issues

- A key problem is the general lack of engagement with employers in long-term labour-market planning and/or upskilling current employees.
- Sectors are at various levels of labour market understanding.
- Training not always aligned with employer needs.
- Lack of co-ordination between local and regional activities.
- Need for Government to recognise regions vary in their needs, and one size does not fit all.
- Lack of work-readiness (including driver licensing, physical health and wellbeing).

## Opportunities for workforce solutions

- Opportunities for change will only work if they are well-managed and well-resourced.
- Government's proposed tertiary sector reforms offer opportunity for new training models to emerge, especially with micro-credentialing, training within work, preparing workers for multiple jobs within their lifetime.
- Government proposals for development of regional skills hubs, regionalisation of labour market shortage lists, and closer alignment of education, social welfare and immigration.
- Greater engagement between employers and the education sector at every level to inform skill development and enable better transitions.

## Strategic approach to labour market issues

**The Waikato labour market is affected by a wide range of factors, ranging from international economic conditions through to the availability of housing and accessible transport locally.**

Regional labour market flows are dynamic. This strategy encompasses people currently living in the region, and also people living elsewhere who are considering moving to or returning home to the Waikato.

The future workforce also includes international migrants, who may come here for work or study. The Waikato attracts a relatively large number of migrants compared to many regions in New Zealand, including a significant number of international students due to the high-quality educational institutions in the Waikato.

This strategy accounts for all available avenues to increase the region's labour market through three key areas of attention: make, fix, and buy.



International education is a small but important element to the Waikato's economy, with 5,036 people were granted student visas for study in the Waikato region in 2016/17. This compares with 3,985 in 2014/15.

### Methods of boosting labour supply



#### MAKE

Increasing the supply of skilled and highly skilled workers through relevant education, training, retraining, and effective graduate transitions.



#### FIX

Invest in productivity improvements - ensuring the effective utilisation of existing skills and upskilling within workplaces. It is anticipated that capital investment in automation will also have a significant impact on future labour markets.



#### BUY

Incorporating workers from other regions, as well as bringing in skilled migrants, along with providing for Kiwi's returning home.

## Key strategic goal

# ‘Building, attracting and retaining skills and talent.’

This Labour Market goal aligns with Waikato Regional Economic Development Strategy’s Goal IV

### Strategic mechanisms:

1. Ensuring businesses can attract, develop and retain the skills they need to grow.
2. Increasing work-readiness and educational attainment in our youth.
3. Promoting investment in the training and upskilling of the existing workforce.
4. Encouraging sector-led engagement between educators and employers to develop new models of industry partnerships.







## Objectives

### **The Waikato Labour Market Strategy's methods for enhancing labour supply:**

- Develop strong employer-provider partnerships in education and training (building skills and talent).
- Understand future workforce needs sector-by-sector through significant engagement with employers (building skills and talent).
- Focus on promoting educational achievement in science, technology, engineering and maths subjects (as well as demand-driven soft skills) to meet existing and predicted labour market gaps, as well as to face the challenges of technological change (building skills and talent).
- Attract skills to the region, city and local industries and sectors by defining and marketing the regional value proposition (attracting skills and talent).
- Optimise transitions from school to training, school/training to work, as well as employees moving from sector to sector (building, attracting and retaining skills and talent).
- Encourage employers to undertake an ongoing programme of staff training and development, and provide support mechanisms to foster this investment in their people (retaining skills and talent).

## Priority actions

THE PRIORITY ACTION IS TO:

**‘Implement a three-year programme to build, attract and retain skills and talent on a sector-by-sector basis.’**

### Key components of this implementation programme are:

- A. To drive strategic objectives in priority sectors.
- B. To engage employers through sector clusters.
- C. To strengthen transition pipeline in key priority sectors.

### Making it happen

- The Strategy recognises that the Waikato Labour Market Group may be ideally placed to transition into the role of a Regional Leadership Group (as envisaged in the Tertiary Education Reform proposals).
- Training Accord with Employers. As part of this emphasis on ‘lifelong employability’, the Labour Market Strategy Group advocates that Te Waka implement an accord with key regional employers to have a specific percentage of their staff undertaking workplace training. Current estimates suggest that only 10-25 percent of all workplaces provide any workplace training opportunities. Hence this initiative to encourage employers to sign up to providing training will offer positive outcomes in terms of upskilling the existing workforce.
- Te Waka will lead, resource, co-ordinate and facilitate the building, attracting and retention of skills and talent.
- The Waikato Labour Market Group will provide intelligence, networks and feedback to promote action-focused, sector-led initiatives for achieving strategic goals in vocational skills, education and employment.

## Delivery matrix

	UNDERSTAND	BUILD
Drive Strategic Objectives in priority sectors	Collate best knowledge of employment data (MoE, MSD, MBIE, Waikato-Tainui).	Understand future workforce needs by sector through significant engagement with employers.
	Use the accumulated data to benchmark and monitor progress.	Establish sector leadership groups and action plans in priority sectors. <small>See Te Waka Programme A1</small>
	Undertake a gap analysis in relation to priority sectors to recognise opportunities for enhanced outcomes.	Deliver the Waikato Story with a focus on industry, investment and skills attraction. <small>See Te Waka Programme A6</small>
Engage employers through sector clusters	Undertake a needs assessment of sectors.	Develop sector specific workshops.
	Understand future workforce needs by sector through significant engagement with employers.	Identify sector champions to promote collective efforts throughout the region.
	Use the accumulated data to benchmark and monitor progress.	
	Recognise alignment and opportunities between sector clusters and external parties.	
Strengthen transition pipeline in key priority sectors	Use the accumulated data to benchmark and monitor progress.	Develop strong employer-provider partnerships in education and training.
	Understand entry level requirements to employment and associated training solutions.	Optimise transitions from school to training, school / training to work, as well as employees moving from sector to sector.
	Employers are upskilled to understand the importance of ongoing training.	Focus on promoting educational achievement in science, technology, engineering and maths subjects (as well as demand-driven soft skills) to meet existing and predicted labour market gaps, as well as to face the challenges of technological change.
		Socialise and promote existing programmes (such as SSEP, MSD concepts, MOE initiatives, MBIE resources etc).



# ‘Implement a three-year programme to build, attract and retain skills and talent on a sector-by-sector basis.’

	ATTRACT	RETAIN
	Attract skills to region, city and regional economy sectors by defining and marketing regional value proposition.	Establish sector leadership groups and action plans in priority sectors. See Te Waka Programme A1
	Deliver the Waikato Story with a focus on industry, investment and skills attraction. See Te Waka Programme A6	Deliver the Waikato Story with a focus on industry, investment and skills attraction. See Te Waka Programme A6
	Identify and develop Centres of Excellence in specific industry / sector clusters.	
	Design marketing / messaging collectively with employers to activate the potential labour market (connection with Waikato Story).	Upskill employers to understand the importance of ongoing training.
		Provide upskilling opportunities to train industry to support staff retention and promotions.
	Develop strong employer-provider partnerships in education and training.	Develop SMART (Simple, Measureable, Actionable, Realistic and Timebound) goals and measures of success.
	Socialise and promote existing programmes (such as SSEP, MSD concepts, MOE initiatives, MBIE resources etc). Use the accumulated data to benchmark and monitor progress.	
	Optimise transitions from school to training, school / training to work, as well as employees moving from sector to sector.	

## Plan on a page

### THE STRATEGIC JOURNEY

#### The Destination:

A future-proofed regional labour market capable of serving industry needs and economic opportunities for the Waikato.

#### The Map:

Building, attracting and retaining skills and talent.

#### The Landmarks:

1. Strong employer-provider partnerships are fully explored to develop education and training.
2. Understanding future workforce need by sector through significant engagement with employers.
3. Focus on STEM educational achievement and demand driven soft skills.
4. Attract skills to region, city and sectors by defining and marketing regional value proposition.
5. Optimise transitions: school to training, school / training to work, sector-to-sector.
6. Employers are upskilled to understand the importance of ongoing training.

## The Mahi:

Implement a three-year programme to build, attract and retain skills and talent on a sector-by-sector basis.

### THE NAVIGATORS:

- Industry
- Iwi
- Education and training providers
- Government
- Regional influencers

### THE RIVER:

- Education, skills and talent
- Industry relationships
- Natural resources
- Iwi partnerships
- Diversity and inclusion
- Employer engagement
- Regional identity







## Appendix

**Since the formation of the Waikato Labour Market Forum in 2012 and the resulting 2014 Strategy, the collective advanced a number of focus areas. Activities have included:**

### Map future workforce needs by sector

NZIER Report – Regional Labour Market Indicators (Sept 2016) – identifies GDP, employment, education, and income indicators, plus future outlook.

Martin Jenkins, UNISA (June 2016) – Upper North Island key sector trends to 2015, and labour market demands to 2020.

### Focus on core educational achievement

MoE initiatives – Waikato Education Strategy 2018-2020. Core competencies, vocational pathways, emphasis of STE(A)M subjects.

Waikato International Education Strategy 2016.

Support secondary/tertiary transition – Basic maths and science for tertiary entry (e.g. Wintec). Youth Guarantee / 1st year fees-free policy.

### Employer partnerships

SSEP – 22 schools in 2018 (110 teachers, 140 employers, 2,300 students).

Employer partnerships with Wintec, University of Waikato, Waikato-Tainui and other tertiary providers – Gateway programmes, Māori education pathways, Trades Academy, Industry placement / Internships, Māori Pacifica Trades Training, Tainui education and employment strategic framework.

### Optimise transitions

School-to-training – Education to Engineering, Youth Guarantees. Careers NZ advice.

Training-to-work – ITOs, Apprenticeships, Graduate internships, Work placements, Career retraining for workers in jobs.

### Attract skills

Brand – The Waikato Story, lead agency Waikato Chamber of Commerce (until Feb 2019). Long term approach to be reconsidered.

### Strengthen communication links

Guest speakers. Presentations to groups like Waikato Connect, EMA, Waikato Chamber of Commerce. Stronger links with MBIE resources.

### Reports referenced

Infometrics – Education to Employment.

NZIER Industry Profiles.

Sub – Regional Population Statistics.

Statistics NZ 'Regional GDP Year ended March 2017'.

BERL for Waikato-Tainui 2017.

