

Central Otago Labour Market Survey

Scoping of Labour Issues in Five Growth Sectors

*Construction, Irrigation, Transport
Hospitality and Agriculture*



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Prepared by Tara Druce (Druce Consulting) and Martin Anderson (Cromwell) for the Central Otago Labour Market Governance Group

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Tara Druce
Alexandra

Martin Anderson
Cromwell

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1 Introduction

This report documents the second phase of the Labour Market Survey commissioned by the Central Otago Labour Market Governance Group. We were asked to scope the labour issues in five growth sectors of the Central Otago economy, namely, construction, irrigation, transport, hospitality and farming.

These five sector studies were undertaken at a time when the level of confidence about the current and future state of business activity across the district was high and all sectors predicted growth. The challenges we identified are those that all businesses face at a time of growth, for example, being able to employ sufficient staff with the right skills. A number of critical skill shortages are highlighted in the individual reports in this document and some suggestions are made as to how these shortages might be addressed.

General optimism is also reflected in the most recent BERL Economic Overview 2013 commissioned by the Central Otago District Council. The Otago Economic Overview presents “a picture of a rapidly growing local economy in 2013, with each indicator for Central Otago revealing a better performance for the district than for the region or for the country as a whole”¹. It is also interesting to note that the 10 year performance of the district has outperformed the regional and national economies on every indicator over that period, as indicated in the following table.

Figure 1: Economic indicators: Central Otago, Otago and New Zealand - % Per Annum 2003-2013²

Key Performance Indicators	CO District	Otago Region	New Zealand
Resident population growth	1.8	0.8	0.9
GDP per capita	4.1	1.7	2.1
GDP per capita growth	2.5	0.9	1.2
Employment growth	3.4	1.2	1.5
Labour productivity growth	0.9	0.4	0.7
Business units growth	2.8	2.4	1.8
Business size growth	0.5	-1.1	-0.3

2 Background

2.1 Objectives and Scope

In 2014, Druce and Anderson were engaged by the Central Otago Labour Market Governance group to undertake a survey of labour issues in Central Otago. This has been a two phase project with the first phase being an in-depth survey of the viticulture and horticulture industries. For the second phase of the project, we were asked to scope the labour issues in five other growth sectors:

- Construction
- Irrigation
- Transport
- Hospitality
- Farming

This has been done through a small number of in-depth interviews with businesses in these sectors. The interviews aimed to scope the labour situation in the region, identify the

¹ BERL Otago Economic Overview 2013

² BERL Otago Economic Overview 2013

challenges being faced by employers in the sectors and highlight areas that may warrant further investigation or action by the Central Otago Labour Market Governance Group.

2.2 Terms of Reference

The terms of reference required the contractors to address the following key components:

- Labour needs - now and in 5 years
- Recruitment and Retention
- Variability / predictability of labour
- Upskilling
- Matching
- Productivity
- Demand for and supply of accommodation

The boundary for the interviews was the Central Otago District Council district.

The Steering Committee for the project, made up of representatives from the Central Otago District Council, Ministry of Social Development, Seasonal Solutions Cooperative Ltd and industry representatives have a broad range of labour issues they are interested in canvassing with the project.

The Central Otago Labour Market Governance Group intends for the two parts of the project report to provide recommendations aimed at:

- Improving the functionality of the seasonal labour market;
- Assuring the inward flow of seasonal labour and promoting Central Otago as a place to work (and live);
- Addressing the accommodation issue;
- Identifying linkages with government labour market policies and programmes, in particular the Recognised Seasonal Employment (RSE) programme and the New Zealand Seasonal Work Scheme (NZ SWS) or a Central Otago variation thereof;
- Connecting out of work New Zealanders to employment opportunities;
- Ensuring that industry labour requirements are addressed.

The results of this project will help inform the development of a Central Otago labour market plan. The plan will provide the foundation to develop labour market strategies throughout the district that create employment opportunities for out-of-work New Zealanders; address issues such as year-round employment across seasonal industries, identify skills and training requirements, and allow for the District to better plan for economic growth.

2.3 Methodology

In consultation with industry representatives, we identified for interview between five and seven employers in each sector who we felt would have a good understanding of their industry and labour issues. In choosing the businesses we ensured we had a good geographical spread as well as diversity in size and business type within each industry.

The opinions expressed in this scoping study are subjective and the comments do not necessarily represent the views of the wider industry.

We then undertook one on one interviews with these 28 businesses in May and June of 2015. The interview process followed a very similar structure to that used in the first survey of the horticulture and viticulture sectors and covered all components identified in the terms of reference above.

3 Conclusions and Recommendations

Conclusions

1. The **Central Otago economy is growing rapidly**, outstripping the rest of the Otago Region and New Zealand on a range of economic indicators such as growth in resident population, GDP per capita and employment.
2. During the **next 5 years Central Otago is likely to see a strong period of growth**, driven by intensification of farming, irrigation development, commercial and residential building confidence, growing numbers of international and domestic visitors and growing consumer confidence.
3. The **building boom in Queenstown and Wanaka and to a lesser extent Central Otago is indicated by a growing demand for construction and road freight transport services** in the region – particularly Cromwell.
4. **Land use intensification and associated irrigation developments are driving demand for rural transport services and irrigation services.**
5. In particular, the **Manuherikia Catchment Water Project** has the potential to bring significant economic benefits and additional jobs to the Manuherikia Basin.
6. Scoping indicates that **all five sectors are optimistic and buoyant** with an expectation that this will continue in the short to medium term. Rural growth is however in part dependent on future dairy prices and access to reliable sources of water for irrigation.
7. **All businesses are concerned about their ability to recruit skilled workers**, even those who currently have no vacancies.
8. Our scoping interviews have identified a **shortage of skilled workers** in the following areas:

Sector	Skill shortages
Construction	Project managers, site managers and sub trades with good industrial knowledge
Irrigation	Electricians with industrial and commercial experience, designers, project managers
Transport	Truck drivers
Hospitality	Chefs and Sous Chefs
Farming	Continued access to skilled, motivated and well trained farm staff
9. Indications are that over the next five years **demand for workers will increase** across all those industries surveyed, accentuating the skills shortages identified above.
10. Businesses generally report **high rates of staff loyalty and retention**. Most businesses recognise the importance of offering attractive wage and work conditions, training opportunities and where possible career paths to attract and retain staff.

11. There is the opportunity for **training providers, particularly the Otago Polytechnic, to work more closely with the industry** in the hospitality sector, specifically with regard to the placement of graduates into work.
12. **All businesses understood the importance of investing in training** and were generally willing to make time available for staff and also to pay for training courses. As far as the dairy industry is concerned there are well structured pathways, together with extensive use of Primary ITO training in the farming sector.
13. Transport and agricultural businesses in particular would **like to see more young people entering the industry**. They feel this could be encouraged by building links with schools, reintroducing work experience schemes and training cadet schemes.
14. All businesses felt there was **adequate and appropriate training available** for staff in all roles.
15. Of the 28 businesses interviewed **three had employed Jobseekers referred by Work and Income in the past, with limited success**.
16. Some employers feel there is a **shortage of long term rental accommodation** in Central Otago. All areas were mentioned by at least one business as having a shortage.
17. Some employers in hospitality have faced issues with **slow processing of Working Holiday Visas**.
18. One of the key points to emerge from our interviews was the view that **Central Otago needs to promote itself as a good place to live and work**. Good lifestyle should be promoted alongside good work opportunities.
19. The **impact of relatively poor data communications is felt in both Cromwell and Alexandra** and will be an inhibiting factor to growth.

Recommendations

1. We recommend that Central Otago District Council be tasked with **monitoring the Immigration New Zealand Essential Skills and Demand List** and Central Otago Labour Market Governance Group consider submitting to this process when appropriate.
2. Central Otago District Council promote the region as an **attractive place to live and work**. Options to consider include a job fair, a regional recruitment drive and the development of a Central Otago jobs website to attract skilled workers to the region.
3. The Central Otago Labour Market Governance Group carry out a project to **identify the scale of the skill shortages in each of the five industries** (as outlined in Conclusion 8 above), with a view to helping employers solve their labour issues.
4. While there was minimal employment of Jobseekers by the businesses we interviewed, we recommend that the **Central Otago Labour Market Government Group partner**

with the Ministry of Social Development to assist employers to attract and retain New Zealanders.

5. The Central Otago Labour Market Governance Group **lends its support to the current UFB and Rural broadband enhancement projects** for Central Otago.

4 Central Otago Construction Sector

4.1 Background and Market Commentary

As set out in the overview to this series of reports, Central Otago is a rapidly growing economy, outstripping both the rest of the Otago region and also New Zealand in terms of a range of key economic indicators both for the 2013 year (the latest year for which data is available) and for the ten year period from 2003 to 2013³. This growth is expected to have continued through 2014 and 2015 with one of the key leading indicators that of building permits, continuing to show strength.

The number of building permits issued over the last three years in Central Otago has been more or less consistent, although with a slight drop between the 2013/14 and 2014/15 years. For the year 2014/15 a total of 772 consents were issued at a total value of \$85 million. The total value of all consents issued across the district has increased by 15% between 2012/13 to 2013/14 and by 12% between 2013/14 to 2014/15.

Of the 772 referred to above, 354 or 46% of consents issued were for the Cromwell ward, constituting 54% of the total value. The value and number of consents issued for the Cromwell ward for the last year significantly exceeded all other wards in the district, with this increase probably attributable to new residential building construction. Some caution though needs to be adopted when reviewing these figures as often a ward can be influenced by a single large project being consented.

In order to scope the current labour issues in the building sector, five Central Otago businesses were interviewed in May and June of 2015. Two of these were large and well established building contractors, one was a manufacturer of building components, one was a building supplier and one was an electrical contractor. All five businesses were confident about the future

Different businesses interviewed variously described the building and construction market as “showing stable growth”, “very active”, “buoyant” and “crazy”. One of the larger businesses said that for the first time in a number of years all the sectors in which they operate are busy and that there is now often a backlog of work caused by other key suppliers to the industry.

This comment was confirmed when interviewing one of these manufacturing concerns who indicated that they typically have been producing a house lot of trusses and or frames at the rate of around one per day and sometimes more. These types of manufacturing operation tend to serve a wider area, however, than just Central Otago district.

All those interviewed said that they couldn't see the market slowing down significantly, if at all, over the next five years. This growth is predicted to be fed by residential and small commercial construction in Cromwell and to a lesser extent in Alexandra – which is seen as an environment where growth is steadier in nature. In addition, the very buoyant Queenstown building sector with over \$250M (industry estimate) of projects of all types underway or planned will provide significant scope for local builders and other trades in Central Otago, but particularly Cromwell (because of its proximity), to prosper.

However, the possibility of the Manuherikia Catchment Water Project proceeding more or less as planned during this time will likely change the balance significantly towards Alexandra and possibly Omakau as the need for additional on-farm infrastructure such as

³ BERL Otago Economic Overview, 2013

dairy sheds, houses and pump houses grows throughout the Manuherikia Valley. Anecdotally we understand that over 100 pivot irrigators were installed throughout the district in 2014 with a further 100 or so planned for 2015.

One business interviewed saw Cromwell as having a combination of unique qualities which would ensure its place as the key service town for the whole district and the place where trades people and many professional support organizations would be based and would make their homes. In particular, the person being interviewed mentioned the affordability of land for housing, its central location and the quality of its people all coming together to provide an ideal environment for their business (and by extension, other similar businesses as well). While this is only one view, but from a prominent organization, it does highlight the importance for the building trades that their staff can easily live and work in both Cromwell and Alexandra.

One of the sub trades interviewed commented that they had doubled their turnover in the last year without any increase in staff numbers through being more selective in the types of work that they did.

4.2 Current Staffing

The five businesses interviewed employ a total of 170 staff at all levels. This represents about 41% of the 2013 total of 416 equivalent full time staff employed in the construction sector in Central Otago⁴. It needs to be noted that there are approximately 205 individual building firms in Central Otago giving an average size for each business of around two staff per business. This is a reflection of the large number of single operator firms and those that employ only the owner and perhaps one other staff member. This compares with a figure of 3.6 for Dunedin City and 1.9 for Queenstown Lakes.

All of the businesses were fully staffed at the time of interview although all identified the difficulty in attracting young people, particularly young qualified carpenters with families to the district. Those with higher qualifications, for example site managers, project managers and site foremen are gradually coming into the district (possibly a direct result of the Christchurch post-quake house building starting to slow down) but the quality of skills is variable. Finding qualified carpenters has traditionally always been problematic especially if there is a preference to source these people locally.

The comment was made on more than one occasion that Cromwell and Alexandra are still affordable to families (compared with Queenstown Lakes), but that the communities of Omakau and Roxburgh, while still having affordable land, had a relatively high cost of building. Two businesses commented that if the Manuherikia irrigation scheme were to progress that these small towns would nevertheless experience growth.

The larger companies with a well-established system of internal promotion generally, from apprentices upwards, have less of an issue in finding higher level skilled people.

4.3 Retention

There is generally a high degree of staff loyalty towards the business for which they work. The building industry, at least in Central Otago, has high rates of staff retention. Many of the businesses are family owned and operated and have consciously built up a culture over many years of managing their staff well and providing a supportive work environment. Comments were made on the different dynamics between employment in Central Otago compared with Queenstown Lakes where there is fierce competition for good staff, strong

⁴ BERL, Otago Economic Overview, 2013

wage rate competition and where stress levels in the industry are higher - brought about in part by housing affordability issues.

Average lengths of employment in all companies interviewed varied between six and forty years. One company said they had only had two staff leave in the past eight years.

In five years' time all expected to employ more staff, in particular to meet the growing need for additional housing and infrastructure in Wanaka and Queenstown. One business expected to have to open an office in Wanaka and more than one business already have offices in Queenstown.

Few issues were identified in retaining staff. Often the reputation of the business concerned is an attraction in its own right. All those interviewed said they had a policy of paying good rates, were generally good to their staff, allowed time off if needed, provided help in finding accommodation, providing trucks and trailers to assist with removals and will generally do what it takes to attract and retain the best, including in some cases the supply of all safety and wet weather gear.

4.4 Recruitment

Recruitment was often based on reputation and word of mouth. There was some advertising in the local papers and one employer preferred to shoulder tap likely new recruits. Local media advertising was seen as effective. One business said they recruited on the basis of people who showed up at the door looking for a job. Applicants such as these, who also possessed the right degree of trade training and had the right attitude tended to be the ones who were employed. This same business did not use either Seek or TradeMe Jobs and commented that locals liked dealing with locals.

One sub-contracting business identified an acute shortage of qualified trades people particularly able to handle industrial as compared with commercial projects. They felt that trying to attract such staff from overseas was not practical and preferred to try and attract such people from other businesses or else to train internally.

4.5 Incentives

Particular incentives to encourage staff retention, included long service leave after a period of time (plus an extra weeks wages), provision of work vehicles at weekends, time off as required and provision of a good work environment.

One employer provided health insurance after twelve months, a bonus for key staff, payment of a penalty rate if working more than 40 hours in a week and provision of travel pay if working more than 45 minutes away from base.

4.6 Training

Provision of training tended to be the norm across the board. Training included Site Safe courses for all staff, health and safety training for all staff, BCITO courses, tool box meetings every two to three months, a job safety analysis every month, specific product training (for example in the use of ramset type equipment), training in the use of computer based project management tools and entry level project management skills.

However, a couple of the smaller businesses interviewed felt that the upcoming Health and Safety requirements were too onerous for an organization of their size and had not committed much in the way of resources to this aspect preferring to handle these issues by way of on the job training.

Some preferred to do all their training in house while others were prepared to send staff away out of town on appropriate courses. One company attempted to identify “staff pathways” for all staff. All saw the need to continue training, particularly in new techniques applicable to house construction.

4.7 Productivity

While not directly related to labour issues, most of the businesses interviewed had comments to make on productivity.

A couple of businesses were committed to the need to get the small things right when it came to house construction, “build once, build right”, so as to keep defect lists on completion to a minimum.

A lot also hinges on the ability of manufacturing suppliers, for example truss and frame suppliers, to get materials on site when needed and this is perceived as an issue currently. This type of supplier is now typically under considerable pressure to increase production, but often, the size of current operations is deemed to be of a level that business owners are comfortable with.

One firm commented on the very restrictive Work Safe practices particularly when working on the roofing structure (for example, the need to provide full scaffolding) and how this adds to the time and cost of a building.

One firm commented that productivity in housing construction could be improved significantly if clients were prepared to accept a greater degree of prefabrication and modularity, based on standardized plans. It seems to be a feature of the Central Otago housing market, and indeed in much of New Zealand, that most if not all new houses are bespoke in nature. It is also the case that the average size of new houses are now around 220 square meters.

4.8 Compliance

No issues were raised in connection with compliance with local and central government regulations. One commented that the Central Otago District Council were very good to deal with, with good processes in place and good inspectors.

4.9 Other Issues

The lack of good reliable high speed data communications was identified as a significant issue by one of the larger businesses. They had to employ a number of unconventional techniques in order to get data communications to their business. Lack of this basic tool was having a detrimental effect on their business. Many of their staff in the field employ a range of handheld technologies so as to improve communications with home base and with suppliers and consultants but are let down by the difficulty and cost of installing data lines to their building.

If this issue is not addressed (and not just for this particular firm) then it could mean that ultimately businesses will migrate elsewhere in the region where these facilities are available.

4.10 Summary

In summary therefore:

1. The building industry in Central Otago, on the basis of the firms interviewed, **is in good heart and is a good employer with high rates of staff loyalty and retention.**

2. **Good basic staff and business management techniques are used to ensure staff loyalty and a good work ethic**, and the need to foster a strong “family” culture is well recognised.
3. **The next five years, and possibly beyond, are going to see a period of very strong growth throughout the sector driven not only by growth in Queenstown and Wanaka, but also in Cromwell (and to a lesser extent) in Alexandra.** This local growth will be necessary to house and support the increased number of tradespeople that are expected.
4. **If the Manuherikia Catchment Water Project gets underway during this five year period then there are expected to be significant building (and other) opportunities throughout the Manuherikia basin.**
5. **There is a shortage of more senior staff at the skilled tradesman level.** In particular this applies to project managers and site managers and sub trades with good industrial knowledge.
6. **More staff will continue to be employed to meet this demand and the difficulties of doing this are likely to increase over the next five years.**
7. **The need for training of staff at all levels is well understood with a combination of in house training together with use of external training bodies.**
8. **While some firms are fully aware of their responsibilities with the new H&S requirements, there are a number of smaller operators who find implementation of these procedures irksome and counterproductive.** However, the industry as a whole through its national bodies has made these requirements very clear.
9. **Cromwell was viewed by a number of firms as being uniquely placed to benefit from the growth in building.** This confluence of circumstances needs to be recognised for what it is and every effort should be made to ensure that this position is fostered.
10. **The impact of relatively poor data communications is felt in both Cromwell and Alexandra and will be an inhibiting factor to growth.**

5 Irrigation Sector

5.1 Background and Market Commentary

From the earliest days of settlement, water has been described as the lifeblood of Central Otago. As a consequence of the 1865 gold rush many water races and mining privileges (unique to Otago) progressively provided access to irrigation water for farming purposes. Around the beginning of the 20th century many private water schemes were established to allow more land to be converted to productive use. During the depression years many large storage dams were established throughout the district and as these became progressively privatised much of the land on the valley floors of Central Otago had access to irrigation water.

Irrigation techniques have changed and adapted over time. Initially the majority of land was flood irrigated especially on larger pastoral blocks but with the growth of the fruit industry came the use of overhead sprinklers for both irrigation and frost fighting and the need to build on farm storage dams. More efficient techniques such as the use of K-line systems have been progressively adopted over the last 20 years and more recently with the growth of the wine industry there has been an emphasis on targeted drip irrigation systems which deliver measured amounts of water to each plant with the added ability to also add liquid fertilizers to the water supply.

Pivot irrigators are now common in many areas where there is good access to reliable water supply. Central Otago now has approximately 1000 centre pivots installed according to one of the firms interviewed. This particular organization has installed about 200 pivots over the last couple of years and have an extra 50 – 100 to be installed over the next five years. It is reported that there have been over 30 pivots installed recently in the Bendigo and Ardour areas.

Water users now face several challenges including the capacity of existing irrigation schemes, the expiration in 2021 of most of the water permits in the district that are based on mining privileges, and the national and regional plans (Otago Regional Council Plan Change 6A) which require higher standards to be met with respect to water management. These higher standards will force many changes to on-farm irrigation practices.

In a report to the CODC in 2008, BERL estimated that there were approximately 36,500 hectares of land under irrigation. If an adjustment is made to this based on the now known area utilized for wine growing, and given increases in irrigated area for horticulture as well the significant increase due to installation of new pivots in hitherto unirrigated areas it is likely that the total area under irrigation now exceeds 40,000 ha.

Water users continue to seek solutions to providing water to increase the area under irrigation and thus improve the productivity of their land. The proposed Tarras scheme was designed to serve around 6000 ha in the Tarras area using pumped water from the Clutha River. At the time of writing it is unclear in what form this scheme will proceed.

The Manuherikia Catchment Water Strategy Group is looking to enhance the capacity of the Falls dam and to upgrade delivery systems to properties in the Manuherikia and Ida valleys. Various scenarios are being evaluated including the building of a new dam to raise the height of the reservoir by 5, 15, and 22 meters. If either of the two latter options were to be adopted then it is predicted that significantly more land can be irrigated with flow on economic benefits to the district.

BERL, in their 2008 report estimated that the then total economic impact of irrigation on the district was to increase district GDP by about \$93M per annum or about 14% of the total district GDP of \$664M. The direct and indirect employment generated as result of irrigation was estimated at around 1150 full time equivalents or about 15% of the total employed in Central Otago at the time. BERL acknowledge that if a more detailed analysis of economic impacts and the multiplier effect were undertaken that these levels would undoubtedly increase. Irrigation is recognized by BERL as being one of the “core driver” industries and they have shown in rural areas and settlements in New Zealand that for every 10 people employed in such industries there are a further 12 people employed in a range of downstream industries such as business services, retail, health and education.

The proposed Manuherikia enhancement scheme has undertaken some very preliminary analysis of the predicted economic impact of the 22 metre scheme showing, in part, that the increased economic value for the district would be \$57M and increased district employment would be 380 FTE's.

In order to evaluate the labour market for the irrigation sector six companies or individuals were interviewed including three of the largest irrigation contractors in the region, an electrical sub-contractor who services the industry and two key community leaders / knowledgeable individuals with a strong interest in water management.

All described the current state of the irrigation sector as either “buoyant” or “booming”. The main focus of the servicing companies is currently firmly on the dairy sector (both dairy grazing and milk production). Caution was expressed by more than one business that growth could slow if dairy prices continued at their current levels. The other key driver identified by those surveyed was the countdown to 2021. With these provisos all businesses felt that the buoyant current market conditions would prevail over the next five years. One firm saw themselves as benefiting from the expected growth in the horticulture sector in Central Otago over the next five years. Another commented that they were currently involved in the installation of a very significant number of pivots on one farm in the Maniototo area and also had a significant forward order book. Another firm, however, felt that future work might be limited by the availability of water and the potential for cost blow outs – particularly relating to on farm dam construction.

5.2 Current Staffing

The industry is characterized by relatively small numbers of specialized staff employed by the businesses and extensive use of contractors for tasks such as dam construction, dam lining, pivot erection, trenching, pipe laying, pump house construction, pump installation and electrical work. Total numbers directly employed by the businesses interviewed were approximately 45 although the actual number will be in excess of this after inclusion of a number of smaller operators. Numbers of contractors used across the industry are not known. One of those interviewed commented that about 95% of their total work was performed by sub-contractors.

There is also a degree of cooperation between firms with some work being subcontracted out between them.

All of the irrigation firms interviewed were based in Cromwell and all were branches of New Zealand wide companies thus enabling access to a larger, skilled pool of staff. Typically staff positions included sales, design, operations including installation, servicing, stores and administration. One company said that often a finance team was utilised to provide overall budgeting and advice to clients before installation. The comment was made that there were a number of Canterbury based pivot contractor crews operating in Central Otago.

The specialist skills in short supply were those of designers and project managers. One firm said that for the last position they advertised they got 50 applicants and struggled to identify three that they could interview. Another firm said they had a shortage of electricians to be able to handle breakdowns. They recently spent over \$4000 advertising for an electrician without success. Other skilled tradespeople are also in short supply such as staff who install dam liners. Often these people have to work away from home for extended periods of time and even though salary packages are generous it is difficult to find staff. This company advertised for six months in Christchurch but without effect.

One electrical subcontractor commented on the difficulty in appointing fully qualified electricians with industrial experience such as would be required for pivot installation and has to either "poach" them or else train them from scratch. This is not just a Central Otago problem. Anecdotal evidence provided indicated that electricians were in short supply across the whole southern region. For example, one firm in Southland requires 23 electricians now, the Tiwai smelter is looking for three and one firm in the Waitaki Valley is looking to appoint 12.

Most firms were expecting to add to their staff numbers over the next five years with those employed in after sales service and repair expected to grow, although one person said that they had a policy of training owners after installation in how to maintain and repair their systems.

Some staff have been brought in from overseas on work visas by one firm, but another said that they had a policy of only employing New Zealanders as Kiwis liked dealing with Kiwis.

5.3 Retention and Incentives

Even with the difficulties in finding certain types of staff there is a relatively low degree of staff turnover. One firm commented that their field staff work force tended to be very stable, another that a couple of their specialized staff had been with them for between eight and ten years, but that on average most staff tended to stay for about five years.

All of those spoken to indicated that they paid competitive rates, that vehicles were provided, particularly when staff were on call, and in one case a firm provided accommodation on the premises.

One firm commented that they had the good fortune to be able to hand pick many of their staff as they were a relatively new start up in the business.

Most firms indicated they worked hard to develop a good social culture and were sympathetic to allowing time off if required. Use of bonuses did not appear to be wide spread. One said that his staff were all members of "his family" and that "these guys work with me".

Another firm commented that finding temporary accommodation was an issue.

5.4 Recruitment

A combination of direct advertising and use of the web is used to advertise for positions. One sub-contractor relies on people fronting up at the door.

5.5 Training

Training was identified as a key issue. Irrigation tends to be a somewhat unique field requiring a special set of skills and experience. There are no formal irrigation qualifications

available as such although there is a three year Certificate of Agricultural Engineering available through Massey University. Irrigation NZ has also developed standards for the industry and has developed a wide range of courses. However, one person felt there was too much emphasis on academic background rather than practical skills and that there was perceived to be no career path. Another firm looking to fill sales engineer vacancies has a policy of hiring graduates with mechanical or civil engineering skills and then spending up to two to three years training them on the job.

One organization was now developing in-house modules and hands-on training.

Another firm indicated they provided product related training, for example operation of water meters.

And another firm said that most of their designers had tertiary qualifications and that in-house courses on hydraulics and pumping were planned.

All firms were conscious of the need to undertake health and safety training. One had a person employed half to two thirds time on OSH matters. Another commented that servicing operational pivots could be hazardous at times as usually the work was undertaken in a waterlogged paddock with no scissor lift access possible. They were designing cages to fit on the front of telehandlers so that service staff could be hoisted to the right height and position.

One firm was encouraging their staff to undertake a graduate certificate in management course. Another used block courses in electrical trades at Otago Polytechnic, and had employed two school leavers as apprentices.

All firms had plans to continue health and safety training into the future. One firm has employed a training manager and commented that the focus of Irrigation NZ courses was on water management, rather than the more immediate issues of system design.

5.6 Productivity

The comment was made that the irrigation servicing business is a low margin business and that the need to design well, install well and service well was paramount. Standardisation of design was crucial as was time management. The use of a range of specialized sub-contractors meant that costs were more easily controllable. On the question of costs it was interesting to review a 2011 Massey University paper on a case study of installing a pivot irrigator 600 metres in length with a 30 metre end gun. The cost of such an installation, including above ground and below ground costs was estimated at \$387,000 of which the installation costs amounted to \$25,000. Protecting this relatively small margin during construction would be paramount in ensuring that work was done profitably by the irrigation contractor.

One firm felt that the skill base and the attitudes of their staff was the most important driver of productivity improvements. This firm also ensured that they invested in the latest equipment such as mechanized pipe cutters.

5.7 Compliance

No particular issues were identified with Local government. One firm found the visa process frustrating as they have had to go through this every year and they now employ an immigration consultant in Dunedin.

5.8 Other Issues

One firm commented that the expectations of staff seeking work with them often exceeded their competence and the ability of the firm to pay what was asked. Their biggest problem was training people up and having them leave after two years. The comment was also made that some staff used the opportunity with their work visa to then seek permanent residency and then to leave and work elsewhere once this had been approved.

5.9 Summary

In summary therefore:

1. **The irrigation sector is experiencing a period of high demand** with the expectation that this will continue.
2. However, **future growth in the industry will be dependent on firstly a recovery from the current low dairy prices and also the availability of reliable sources of water.**
3. **The impact of the Manuherikia Catchment Water Project if it proceeds will be major with significant flow on direct and indirect benefits.**
4. **Specialist staff with the right qualifications and attitude are hard to find** and while staff retention is relatively good there is a constant risk that trained specialist staff will leave.
5. **Electricians with industrial and commercial experience are in short supply at the moment together with design engineers and project managers.**
6. The need for training is well understood but irrigation is not a discipline that fits neatly into one training area and **the need for practical experience on the ground is well recognised.**

6 Central Otago Road Transport Sector

6.1 *Background and Market Commentary*

Economic growth and quality of life in regional New Zealand rely on adequate and appropriate transport and freight services. In landlocked and mountainous Central Otago, the construction and retail trades rely heavily on road freight transport. Primary industry, particularly agriculture, is serviced by the rural transport sector.

Data indicates that the road transport sector in Central Otago is growing. The number of employees increased by 35% over 10 years from 170 employees in 2004 to 230 in 2014⁵. While these employees represent only 2% of total employment in the region, the transport sector is an important enabler to growth in other sectors.

In the 10 year period, the majority of growth in the sector has been in Cromwell (an increase of 40 employees) and the Alexandra / Dunstan area (an increase of 35 employees). The number of businesses in the road transport sector increased by one over this period from 29 to 30.

To scope current labour issues in the transport sector, five Central Otago businesses were interviewed in May and June of 2015. Two of these businesses operate in the general road freight sector and the other three are in the rural transport sector. The businesses interviewed employ 97 (or 42%) of the 230 workers in the industry.

All five businesses we interviewed reported growth and optimism for the future, despite strong competition within both the general freight and rural transport sectors.

In rural transport, growth is being driven by increasing intensification throughout the district but particularly in the Manuherikia, Maniototo and Teviot Valley. An increase in dairy and dairy grazing has been one of the key drivers of this intensification, growing demand for fertiliser, bailage and stock cartage. It is likely that demand for such services will grow further if current proposals to increase water storage in the Manuherikia Catchment come to fruition. Businesses report that competition in this sector is currently strong, driving prices and profitability down.

Significant growth in general freight is being driven by the construction boom in Queenstown and Wanaka. Cromwell in particular is a hub for the movement of materials supplying the building trade. Growth also in the horticultural sector is increasing outgoing freight from the region. Businesses feel that after difficult recessive years, business is now improving, despite the highly competitive environment.

6.2 *Current Staffing*

Three of the businesses interviewed are fully staffed and have been able to find the staff they needed when vacancies have occurred (but feel lucky to have done so). All indicate they provide good working conditions that make them attractive employers and this helps attract and retain staff. All three are however concerned that finding truck drivers may become a bigger issue in the future. Larger businesses, with more than one base, report the advantage of being able to move staff around their depots as the need arises. One business has noticed that the downturn in the Australian mining industry has resulting in an increase in interest from New Zealanders seeking driving jobs in Central. One also notes an increase in drivers from Christchurch moving to the area.

⁵ Business Demography Statistics, Statistics New Zealand 2014

Two businesses interviewed are not currently fully staffed. These businesses have been unable to source truck drivers and as a result, current staff are working longer and harder. One business feels this adds considerable pressure to existing staff and is not sustainable. One business has tried taking on staff without experience and has found that in most cases they did not retain them for long.

The skills shortage appears to be primarily in the area of truck drivers and all businesses feel they would be more productive if they were able to guarantee their ongoing supply. Transport businesses also employ administration and logistics staff but it was reported that these vacancies are easier to fill.

There is a seasonal variation in demand with the summer being the peak. Some businesses take on some casual drivers over the summer while others give extra hours to their existing drivers. Change in shearing schedules has made early winter busier for rural transport businesses, helping to smooth out the seasonal variations a little for rural transport companies.

Our interviews indicate there is likely to be ongoing staff and skill shortages, particularly for drivers in the transport sector in the medium term. All businesses report an increase in demand for their services and all are concerned about being able to secure the truck drivers they require in the future.

Three businesses predict they will be employing between two and five more staff each in five years' time. One business is not sure if it will be employing more and one intends to use current staff more work more smartly (by improving efficiency through logistics technology). One business mentioned that the downturn in the dairy sector this year had resulted in a decrease in the stock numbers transported into Central Otago for winter grazing but this had not changed their staff numbers.

6.3 Matching issues

Businesses interviewed report the following difficulties in finding the right staff and skills:

- Finding trained and experienced drivers.
- Attracting young keen people to enter the industry due to the long hours and often highly physical nature of the work. Many young people who have grown up in the area want to move away after school. It is difficult for small businesses to employ young people when drivers need skills and experience to be productive.
- Meeting employee expectations of a life / work balance when working hours can be long. As such it is not always a family friendly industry.
- Attracting workers with families to work in rural areas. Easier to attract singles or couples.
- Replacing an aging population of drivers.
- Funding licencing for drivers. Licencing is expensive and puts some people off while others feel it takes too long to move between licence classes.
- Finding quality stock drivers. The physical nature of it means it is not an appealing job to many.
- Finding women who are interested in working in the industry.
- Paying enough to be an attractive industry. Competitiveness in the industry leads to poor profitability which in turn leads to low pay rates making the industry unattractive.
- Needing to employ experienced drivers due to the poor condition of rural roads.

6.4 Recruitment and Retention

When recruiting staff, four employers have used Trade Me Jobs, three the local paper, two the Otago Daily Times and Southland Times and one the Seek website. One has also visited a truck show in Australia and another is looking to bring kiwi drivers home from Ireland and Britain. Businesses report mixed success with all these advertising methods. Some find that word of mouth works better.

Businesses report a low level of staff turnover and generally good loyalty from employees. One lost staff when he had been unable to find ideal staff skills and had employed some without experience or skills in the industry. One business indicated they only lose staff to retirement. Staff that were currently employed have been with the business anywhere from one to 22 years.

6.5 Incentives

Businesses indicate they offered the following incentives to staff:

- Confidence of fulltime work (sometimes up to 70 hours a week)
- Housing as part of the employment package in rural areas
- Safety equipment and clothing
- Training and licencing
- The opportunity to graduate to bigger rigs
- Paid travel if living a distance from the depot
- Social events and drinks

6.6 Competition for labour

Businesses feel there is competition for staff within the transport sector in the area but little competition with other sectors. Possible competition with drivers in the construction industry and farming was mentioned. Several commented that the transport sector was often in peoples' blood and many drivers came from families who had been involved in the sector.

We asked businesses if they share staff with any complementary sectors. Only one indicates they have in the past had staff do seasonal swaps with big cattle shifts in Western Australia.

6.7 Employing Job Seekers referred by Work and Income

Four businesses have never been approached or considered employing active Jobseekers referred by Work and Income. One indicated they had had tried to employ Jobseekers on a few occasions but they had not worked out. It is our understanding that Jobseekers with these skills find work quickly and therefore Work and Income's supply to this sector is limited.

6.8 Training

All businesses indicated that adequate and quality training is available for the sector. Much of this training is provided by private industry specific training providers in the area. Industry training is also provided by livestock firms and plants. Significant training is also provided in-house within each business. Some felt that driver licencing costs are too expensive and put young people off the industry.

Businesses are aware of a new course that was recently offered by the Southern Institute of Technology in Truck Driving and Commercial Road Transport. This 16 week course aimed to deliver a Certificate in Commercial Road Transport, licences and work placements with transport companies in Southland. The programme has been delayed because insufficient local businesses supported it by giving participants work experience. It should be acknowledged that for this programme to succeed local business would need to support it.

Most businesses are positive about the course while some feel all training was better done while employed to ensure a good mix of theory and practical experience is gained. One business would like to see the reintroduction of a cadet scheme while another would like to see secondary school pupils visit on work experience placements.

6.9 Accommodation

Four businesses report an ongoing lack of rental accommodation for staff in Central Otago, specifically Cromwell, the Teviot Valley and the Maniototo. They report that rental accommodation is difficult to find and rents can be high. In the Teviot Valley it was reported that many houses have been bought as holiday homes decreasing the number available for long term rent. One businesses has bought houses to help attract and retain staff and another is considering buying staff accommodation.

6.10 Summary

In summary therefore:

1. The **road transport sector in Central Otago has grown** over the last 10 years. While current employment in the sector represents only 2% of total employment in the region, the transport sector enables growth in other sectors such as agriculture and construction.
2. Current growth in the rural transport sector is being driven primarily by **agricultural intensification** throughout the district, particularly in Manuherikia, Maniototo and Teviot Valley.
3. Growth in general freight is being driven primarily by the **construction boom in Queenstown and Wanaka**. Construction in Central Otago is also buoyant and placing demand on freight services. Cromwell in particular is a hub for the movement of materials supplying the building trade. There is also growth in the horticultural sector leading to increased outward shipments.
4. **Competition is strong in the sector, driving prices and profitability down**. This in turn is keeping wages down. Some businesses feel that an increase in cooperation between companies to allow each company to find a niche would be beneficial.
5. Businesses report an **aging population of truck drivers** indicating that the skills shortage may intensify as more reach retirement age.
6. Transport businesses would **like to see more young people entering the industry**. They feel this could be encouraged by building links with schools, reintroducing work experience schemes and training cadet schemes. Lowering licencing costs was another suggestion.

7. Our interviews indicate there are likely to be **ongoing staff and skill shortages in the transport sector in Central Otago in the medium term**, particularly for truck drivers. There is the opportunity for the Central Otago Labour Market Governance Group to provide input in the Immigration New Zealand review of the Skills Shortage List to ensure that Central Otago's labour needs are well represented.
8. Transport businesses would like to see more **experienced truck drivers attracted to work in Central Otago**. Some see the opportunity to promote **Central Otago as a good place to live and work**. It was noted that the good lifestyle should be promoted alongside job opportunities. A jobs fair was mentioned as one option. Another option is for the region to consider **inputting into reviews of Immigration skills shortage lists** to encourage truck drivers from overseas to immigrate.
9. Our interviews indicate there is a **shortage of rental housing** available for workers in the transport sector in the region.

7 Central Otago Hospitality Sector

7.1 Background

Hospitality businesses, encompass the accommodation, food and beverage sectors and service the local resident population as well as domestic and international visitors. In Central Otago the hospitality sector is comprised of 148 businesses employing 680 workers. The number of workers in the sector is increasing with 31% growth in the 10 years to 2014⁶.

The sector faced challenging times between 2009 and 2012, largely due to the global economic recession which drove New Zealand consumer spending and visitor expenditure down. The Christchurch earthquakes also resulted in a drop in domestic visitors and spend to Central Otago.

Independent data sources indicate cause for optimism and growth in the sector. Indications are now that demand is increasing and will continue to do so in the medium term. Specifically:

- Visitor arrivals to New Zealand are forecast to grow 4 per cent a year, reaching 3.8 million visitors in 2021 from 2.9 million in 2015⁷.
- Total visitor spend across all international markets is up 21% per cent in the year to March 2015. Both volume (visitor arrivals) and value (visitor spend) drivers are now contributing to growth. In other words, more people are coming to New Zealand and spending more each trip⁸.
- Accommodation guest nights for Central Otago grew 1.2% between April 2014 and April 2015. This included a 5.3% increase in international guest nights and 0.2% increase in domestic guest nights⁹.
- A recent report by NZIER predicts a 46% increase in tourism jobs required in Otago in the next 10 years¹⁰. This is predicated on continued growth in international and domestic visitor spend, increasing demand for workers. While Queenstown is likely to show the greatest increase in demand for workers, Central Otago is also likely to see growth.
- Nationally, consumer retail spending using electronic cards increased by 3.2 percent between May 2014 and May 2015¹¹.

In short, international tourism numbers and spend by visitors to New Zealand is growing. Domestic tourism is also recovering following the Christchurch earthquakes and the global economic recession of 2009- 2010. In addition to this, consumer spending has risen over the last year and indications are that this will continue. The net effect for Central Otago is likely to be more locals eating out, more day trippers from the wider Otago / Southland region spending at cafes and restaurants and an increase in domestic and international visitors to Central Otago placing demand on both accommodation, food and beverage services.

This projected growth comes however with some labour challenges. The hospitality sector in New Zealand has traditionally been a low wage industry that often struggles to attract high calibre workers who are committed to forging a career within it. As a result, tourism and hospitality are often reliant on casual, migrant and low-skilled workers. A lack of perceived

⁶ Business Demography Data, Statistics New Zealand 2014

⁷ Key Tourism Statistics, Ministry of Business, Innovation and Employment, June 2015

⁸ Key Tourism Statistics, Ministry of Business, Innovation and Employment, June 2015

⁹ Commercial Accommodation Monitor, Statistics New Zealand April 2015

¹⁰ NZIER Report to Tourism Industry Association of New Zealand – Assessing Tourism Labour Market Needs – May 2015

¹¹ Electronic Card Transaction Data – Statistics New Zealand, May 2015

career paths and staff often looking for temporary work can lead to high levels of turnover in hospitality businesses¹².

While many of these industry characteristics are evident in the Central Otago region, businesses here also face the challenge of strong seasonal variation in demand. This increases the demand for casual peak season workers and can reduce the ability of businesses to offer year-round work security or fixed hours. Seasonality can also negatively affect profitability which in turn can affect wage rates.

This project aimed to scope the hospitality labour situation in the region, identify the challenges being faced by employers in the sector and highlight areas that may warrant further investigation. It did this by conducting interviews with seven business owners operating cafes, restaurants, bars and accommodation across Central Otago, with some operating both accommodation and food and beverage.

7.2 Market Commentary

All businesses interviewed are optimistic about their business and the sector. While all identify some challenges in finding the staff they require, all expect growth in consumer demand looking ahead 5 years.

Interviews indicated that:

- While hospitality businesses in the region were hit hard by the recession and impacts of the Christchurch earthquake, more recently local demand has increased and tourism has recovered.
- The growing number of cycling and walking tracks in the area as well as attractions such as the Highland Motor Sport Park are stimulating visitor numbers to the area.
- Demand from the Otago Central Rail Trail continues to drive business growth for some businesses.
- Business owners feel that visitors staying longer in the region.
- In peak periods, Cromwell and Clyde are experiencing the overflow of visitors from Queenstown into accommodation.
- Those interviewed feel that Queenstown airport will continue to be the key hub for visitors to our region.
- Respondents have noticed an increase in demand for higher end accommodation and hospitality products, possibly driven by a recent increase in products available for this market in the region.

7.3 Current Staffing

We found that:

- In most cases, the hospitality sector successfully sources permanent part time staff locally in roles as waiters, kitchen staff and cleaners. Indications are that businesses in rural areas faced greater challenges.
- In peak periods, students and some international visitors on Working Holiday Visas are also engaged to service the seasonal increase in demand.
- More skilled labour, particularly chefs and sous chefs are hard to attract and often need to be recruited from outside the region.

More specifically:

¹² Tourism & Hospitality Workforce Strategy 2006

- Of the seven businesses interviewed, four have been able to source the labour they required over the last year. Three of these indicated they had offered attractive conditions in order to be able to attract workers with the right skills. One indicated that they had not been able to find the right skills so had filled the vacancies with unskilled staff.
- The three other businesses had been unable to fill their vacancies with one short of a chef for six months and one needing to call in friends to help out in peak periods.
- Two businesses commented that they found their workforce relatively stable and that they only lost staff when they left to have children or moved away. One indicated they preferred mature employees.
- The relatively small resident population and appeal of the region to summer visitors results in a highly seasonal industry. All the businesses interviewed experience marked seasonal variation in demand. All businesses add casual staff over the peak period, which was identified as stretching from September to the end of April – with the busiest month for most being January.
- With optimism about the future, all businesses expected they would be employing more staff in 5 years' time, or would do so should demand increase.

7.4 Matching issues

Businesses interviewed report the following difficulties in finding the right staff and skills:

- A shortage of skilled labour – particularly chefs and sous chefs. Some indicated they needed to offer an attractive package to successfully recruit chefs. Others struggled to find chefs interested in their roles.
- Attracting skilled labour to rural areas is particularly difficult.
- Long hours that often included evenings and weekends can make the industry unattractive.
- Hospitality can be a physical industry, being on ones feet for long hours. This can make it unattractive to some older workers.
- The industry often attracts workers who are transient resulting in high turnover.
- Hospitality requires good communication and language skills so people without good English are not employed.
- Young people have higher expectations of salary and perks than in the past, making it difficult to meet employee expectations.
- The perception is Immigration New Zealand can be slow to process Working Holiday Visas making it difficult to engage staff quickly.
- Increase in the legal age of duty manager to 20 have made it more difficult to fill the role.
- In rural areas, travel for workers can be expensive and may put off potential workers.
- Difficult to find people keen to work behind a bar. Hours can be antisocial and challenges with intoxicated patrons.

7.5 Recruitment

Hospitality businesses use local papers (some with effect and some without success) to fill jobs such as cleaners, waiting staff and kitchen staff. For more skilled positions such as chefs, businesses are more likely to advertise through Trade Me Jobs or Seek. Three businesses found word of mouth an effective recruitment mechanism for their business. One used the local radio station and one shoulder tapped potential staff.

7.6 Retention & Turnover

Turnover has traditionally been a significant issue for the sector. A lack of perceived career paths and staff often looking for a temporary work can lead to high levels of turnover in hospitality businesses¹³.

In our interviews, there was a broad variation in experiences with regard to the retention of staff. A few businesses indicated they only lost staff when workers have children or leave town. One had had difficulty retaining waiting staff and suffered high turnover over a long period. One business was relatively new so it was too early to have a feel for staff retention yet. Two businesses said their staff stayed anywhere from one to four years.

7.7 Incentives

Businesses we interviewed offered a variety of incentives to staff. These included:

- Higher than average pay rates
- Flexible or attractive hours
- Staff dinners
- Presents
- Accommodation
- Transport
- Profit share incentives

Two businesses do not currently offer any incentives. Both had tried out some form on incentives but did not find it promoted productivity.

7.8 Competition for labour

Businesses were asked if they felt they competed for staff with other sectors. None felt that there was strong competition from any other sector, however some competition was there for permanent staff from roles in office or administration, entry level retail, and the caregiver industry. Two businesses felt that hospitality competed with viticulture and horticulture in the peak periods, but not in large numbers.

7.9 Employing Jobseekers

Of the seven businesses interviewed, five have never employed a Jobseeker referred from Work and Income. Two businesses have employed Jobseekers referred from Work and Income and two have considered applications from Jobseekers in the past but did not go on to employ them.

7.10 Training

All businesses indicated there is accessible and high quality training available in the areas of liquor licencing, food safety, barista training, first aid, culinary training and private external hospitality training.

Many were positive about the role the Otago Polytechnic plays in training chefs. Indeed two businesses had employed chefs that have trained at the culinary school. Three would however like to closer connections between the Central Otago hospitality industry and the Polytechnic and graduates encouraged to take up roles within the Central Otago District.

¹³ Tourism & Hospitality Workforce Strategy 2006

7.11 Career progression

The interviews highlighted the limited career paths within the hospitality industry in Central Otago. As the industry is made up of largely small businesses, opportunities to progress through the industry only come in the area of culinary skills – moving from kitchen or waiting staff to sous chef to chef (or similar). Very few businesses in Central Otago offer additional levels of progression. It was felt that the industry offered limited career paths and the industry often attracted workers who were after a temporary short term solution to work.

7.12 Accommodation

Worker accommodation was not identified as a big issue for the hospitality sector. Five business had never found it an issue or felt the rental market had eased recently (specifically in Cromwell). One of these business was concerned that it may become more of an issue down the track as Cromwell grew. One business indicated a lack of short and long term rentals in Clyde.

7.13 Regulations

Individual businesses interviewed identified the following challenges they face with central government regulations or laws:

- With the age limit for a Duty Manager now 20, it is hard to find staff to fill this role.
- Working holiday visas are sometimes slow to be processed. The closing of the Immigration New Zealand office over Christmas can also cause issues when visa or visa variations are being sought over this period.
- One business felt that the increase in minimum wage has reduced their ability to reward staff. They feel that wage levels are pushed together reducing the incentives for staff to take on more responsibility.

7.14 Summary

In summary therefore:

1. Hospitality businesses in Central Otago are **optimistic and experiencing growing demand**. Indications are that the demand for skilled and unskilled labour is going to increase in the medium term.
2. Some businesses in the sector recognise the **importance of offering attractive wage and work conditions**, training opportunities and where possible career paths to attract and retain staff.
3. Our scoping indicates that in most cases the hospitality sector **successfully sources locally permanent part time staff** in roles as waiters, kitchen staff and cleaners. Indications are that rural businesses face more of a challenge in this area.
4. In peak periods, **local casuals, students and international workers** on Working Holiday Visas are engaged to service the seasonal increase in demand.
5. Skilled labour, particularly **chefs and sous chefs are hard to attract**, often need to be brought from outside the region and require added incentives in order to retain them. There is opportunity for collaboration between the Central Otago Labour Market Governance Group and Immigration New Zealand in reviewing the Skills Shortage List to ensure that Central Otago's labour needs are well represented.

6. Some employers feel the **government needs to offer incentives or subsidies** to make the regions and rural areas more attractive to skilled workers¹⁴.
7. Some employers in the industry have faced issues with **slow processing of Working Holiday Visas**. They would like to see Immigration New Zealand introduce a fast track visa service. Such a system would see applications from overseas visitors who are legally in New Zealand and have a job offer processed in 48 hours.
8. Employers support Central Otago being **further promoted as a great place to live and work**. Options include a job fair, a regional recruitment drive to and development of a Central Otago jobs website to attract skilled workers to the region.
9. While many are supportive of the work training providers do to train workers in the industry, there is the **opportunity for training providers, particular Otago Polytechnic need to work more closely with the hospitality** industry, particularly regarding the job placement of graduates.

¹⁴ Note: On 26 July 2015, the Government announced a package of immigration measures aimed at improving the spread of workers, skills and investment across New Zealand. The new measures to take effect from 1 November include boosting the bonus points for Skilled Migrants applying for residence with a job offer outside Auckland, doubling the points for entrepreneurs planning to set up businesses in the regions under the Entrepreneur Work Visa and streamlining the labour market test to provide employers with more certainty, earlier in the visa application process. In addition, from mid-2016 a pathway to residence will be provided for a limited number of long-term migrants on temporary work visas in the South Island.

8 Agricultural Sector

8.1 *Background and Market Commentary*

Farming is a traditional land use in Central Otago, going back to before the time of the gold rush. From the early days dominated by a small number of very large pastoral lease runs, anecdotal evidence now suggests there are approximately 500 farmers who between them farm some two million sheep and about 47,000 cattle. High country properties traditionally have farmed merino sheep, with valley floors and lower levels given over to cross bred sheep and lamb finishing.

Access to irrigation on valley floors has led to land use changes and intensification of use. In particular there has recently been an expansion of the dairy industry on valley floors. Tenure review has seen the transfer of some of the extensive higher country to the conservation estate with the associated freeholding of lower lying areas, opening up opportunities for farmers to diversify their activities.

In order to understand the labour issues now facing this large, complex and changing sector, six interviews were conducted in Central Otago with a representative cross section of farm owners together with one shearing contractor. The farms visited included an intensive cross bred lamb production unit, a large dairy farmer operating in the Maniototo region, a farmer in the Manuherikia basin who was developing a dairy grazing unit, and a high country farmer operating in the Teviot Valley.

All those interviewed commented on the very rapid changes happening in the farming sector particularly relating to land use change brought about by irrigation. All described the current state of the industry as generally buoyant and positive although comments tended to be sub region specific. For this reason and because of the wide diversity of farming types and issues this report will consider each of the businesses interviewed separately and then attempt to draw together any overall trends.

8.2 *Teviot Valley High Country Farm*

The high country farmer interviewed described himself as “absolutely optimistic” about the future of the merino wool industry although also expressed frustration about the inefficient structures in the meat processing industry (too much capacity, and too much emphasis on throughput rather than on quality and customer relationships), and the associated costs and the sustainability of essential hill country inputs such as targeted research funding and cultivar and legume selection. Both of these were felt to be under pressure.

The interviewee’s optimism was driven by the view that nobody can grow food better than New Zealand because of the sector’s expertise, the extensive infrastructure in place (both people and processing facilities), funding and advisory roles and the fact that all of the country’s stock is raised outside on pasture. Growth will have to be focused on the luxury end of the market in the prime beef and lamb trade and will be fostered by more direct contact with customers. He also commented that it was the younger people in the industry who tended to be more positive and that there was work to be done at the government level to emphasise the importance of hill country farming as the backbone of the New Zealand farming industry.

It is a characteristic of many high country sheep farms that relatively few staff are employed and that there is extensive use of contractors. This particular operation ran 10,000 stock units and employed the owner as manager, one stock manager and a general hand. Staff

were treated well with market salaries, with provision of accommodation, power and phone and meat provided often at subsidized rates. Some issues were experienced with finding the right staff and it was commented that there is no longer a pool of young people available who have already had a good grounding in farming techniques. There was a dependence on institutions such as Telford continuing to provide a stream of young people ready to work as general farm hands. It was noted in passing that dairying has good staff progression pathways which were clearly understood. The comment was also made that high country sheep farming is inherently more complex than dairying, for example. With dairying one was dealing largely with one herd whereas with this particular operation one could be managing up to 20 different mobs each with different requirements.

In order for farming to have a future, according to the interviewee, the industry needs to be able to attract brains by offering the advantages of lifestyle, assets and remuneration all wrapped up into a package. However, it was noted that increasing corporate investment in farms and amalgamation of properties was making it progressively more difficult for young people to buy their own farms.

On the matter of retention it was noted that on this type of farm it was the rule rather than the exception that young people will move on after say 18-24 months employment. This is seen as a necessary part of their personal development and is generally viewed in a positive fashion. Retention of key, more senior staff is seen as a balancing act between what the individual and the enterprise can jointly offer to each other.

Recruitment was generally done by word of mouth, the use of social media and use of Trade Me jobs. No job seekers were employed because even to get a job as a general hand one needed to come with their own dogs, be skilled operating a quad bike and be able to fulfil the full range of tractor operations.

In order to encourage staff retention bonuses were paid based on Key Performance Indicators which were established at the outset. This was still a work in progress and the comment was made that while this approach would be relatively unusual it was advantageous for the overall good of the industry.

Training is taken seriously and the level is dependent on where the staff are in their development. Training is a requirement of their employment contract. ITO involvement is encouraged as is the use of targeted courses (such as chemical handling, tractor driving and use of quad bikes). The comment was made that there was a trend towards too much specialization these days, for example a staff member with his or her own team of dogs may not be particularly interested in driving a tractor. The industry needs skilled generalists but is finding this increasingly harder to achieve. Future training plans were for more of the same.

Finding worker accommodation could be a problem from time to time and it was important to be able to provide worker accommodation on site because of the distances between the farm and the nearest larger centres.

In conclusion, the matter of the quality of the local roading network was raised. Many times the interviewee had had to pull stuck vehicles from the mud particularly in winter. He wondered whether the focus on tourism by the district council was the wrong approach when he is contributing a considerable sum through the rates he paid and not seeing it being spent on local roading. The matter of fast internet access was also seen as an issue, particularly when very large files needed to be manipulated for example in mapping applications.

8.3 Large Maniototo Dairy Farm

This business described the Maniototo as “the land of opportunity” with future possibilities limited only by being able to access reliable water supplies and the ability to purchase land – which tends to be tightly held by older, well established family units. There was also some resistance on the part of established farmers who felt that some of the early dairy farm developments did not conduct their operations in a sustainable manner and were messy and dirty with pollution of water ways.

This particular operation, running over 2000 dairy cows was being very proactive in addressing these issues and in particular using water cleverly and more efficiently. They felt that while dairying would continue to grow in the area the emphasis might change over time more to dairy support. Their own plans included the acquisition of more land, and the construction of a new dairy shed.

Employment numbered 21 staff at the peak of the season with a heavy reliance on mature New Zealanders and immigrant labour in particular from the Philippines. These staff filled a range of positions from Manager to junior. In addition to these there were a number of locals employed as tractor drivers and milkers. The comment was made that workers from the Philippines were perceived to have a strong work ethic. These workers came with some farming qualifications which was supplemented by plenty of one-on-one training once they arrived on the job.

Their staff turnover averages about one person per year although the comment was made that was considerably less than elsewhere in the industry.

Tied in with these issues is the matter of making the industry attractive to young New Zealanders. It was felt that a concerted effort needed to be made within the secondary education sector in Otago to describe the career options within dairying.

No issues were apparent with staff retention – both accommodation and transport are provided.

Recruitment for dairy assistants was largely done through fencepost.com with no advertisements in newspapers, and by local reference and by using networks of contacts within their own employees. They had listed vacancies with Work and Income but had little in the way of responses from New Zealanders which could be due to the rural isolation of the job.

Retention was reinforced by a philosophy of seeing the enterprise as “one large farming family” and also ensuring that important issues such as house insulation was done and that accommodation was stocked with food and was warm for the arrival of new staff.

Training was taken seriously with all staff required to undertake Primary ITO training. Health and safety training was done using a contractor who comes to the farm with Friday night sessions every week for which there was an agenda and minutes. One of the challenges was longer term retention of skilled migrant dairy workers once they had reached NCEA Level 4 Dairy. Anecdotal evidence suggests that such staff will leave if the issue of achieving residency is not addressed. As the dairy industry moves towards ever larger herds there is a demand for NZ trained staff in other countries where the quality of NZ trained staff is recognised.

This farming operation rented houses locally for their staff – some of whom were expected to bring their families with them when they come into the country.

No particular compliance issues were identified except for the visa issue referred to above.

8.4 Manuherikia Valley Dairy Grazing Unit

The couple interviewed commented that that particular area seemed to be quite accepting of the introduction of dairying to the district, in contrast to some of the views extant in the Maniototo. Their farm ran a winter grazing operation with 1800 cows and 300 calves. They expressed quiet confidence in the current state of the industry but admitted that future growth will be very dependent on the progress of the Manuherikia Catchment Water Project. They felt a five metre dam raising wouldn't make any difference to their region. They also said that many of the soils in the valley were not suited to intensive dairy use because of their inherently heavy nature. Serious growth would only be possible if one of the two high dam schemes being discussed were to happen.

They did comment that the local school at Omakau had seen growth with the addition of a third classroom and teacher which required a minimum number of 51 children. The local garage had also taken on more staff.

The couple both worked on the farm and during the peak season from mid-May to mid-August they employ two staff – a nanny to look after their children and a tractor driver. They advertised on Trade Me for the tractor driver and had 15 applicants within 24 hours and were able to select from a short list of five who could have done the job. The nanny position was also advertised on Trade Me and with Work and Income and attracted no local applicants. Most respondents tended to be au pairs sourced through agencies.

In five years' time their expectation was that they would be changing their farming practices so as to only employ one person in the winter and to lessen their own work load. Plans to install two pivots over the next two years were well advanced enabling the irrigation of a further 260 hectares.

No issues were identified in retaining their staff. The two tractor applicants found accommodation in the area within two hours. Apparently there are a number of rental properties available in and around Omakau.

Industry standard rates were paid to their tractor driver and nanny.

Training in the use of chainsaws, quad bikes, tractors and stock management had been given in the last year. The owners had both been on Federated Farmers leadership courses.

Increases in productivity were linked to the pivot installation referred to above. This will enable increases in the efficiency of water use, reduced paddock sizes making management easier and making more stock water available. This development will in the future enable the farm to be set up as a dairy unit after the construction of a dairy shed.

In conclusion they commented that the Manuherikia water scheme upgrade project was overdue to report, that there were difficult issues still to be negotiated and they wondered if they were losing interest in the project. A five metre dam upgrade would only give them a greater reliability of existing supplies of water without providing them the ability to significantly expand operations.

8.5 Local Shearing Contractor

The owners of this company felt that the farming industry was going through a period of significant change and consolidation at the moment. Outside investors were buying the better land and this, combined with the tenure review process, had seen them lose a considerable number of sheep to shear. They commented that they had probably lost around 25% of their market over the last 20 years. They commented that those farmers selling smaller units over the last few years had done well financially but that the service industries

like shearing had not fared as well. They noted that the majority of their clients were changing their irrigation so as to stock more lambs in particular and that access to irrigation meant the farmers could essentially fatten lambs all year round.

The number of sheep shorn by this contractor is significantly in excess of one million. They operate mainly in Central Otago but also work in Southland and south Canterbury. At the height of the season they employ around 100 FTEs.

The key issue in finding the right staff is timing. July to October are the biggest months and many of their staff are coming off work in the North Island and also from Australia. One of the key drivers to employing staff is the ability to be able to guarantee a certain minimum number of days shearing in any one week. Central Otago because of its dry climate is able to provide more of an assurance in this regard. Numbers employed in five years' time are expected to be about the same. They have a loyal staff base, with some 70% returning each year for the season, even though pay rates in Australia tend to be around 10% higher than in New Zealand. They commented that they are now working for their second generation of farmers and that they have a number of third generation workers on the staff.

The job of shearing is essentially casual in nature and all staff are employed on individual employment contracts. After six months employment staff are entitled to a range of benefits. Typically a shearer will always provide their own gear. Shearers can work all year in Central Otago if they so wish. Staff are recruited by personal contacts, word of mouth and personal referrals. No job seekers are employed that they were aware of. Staff are organized weekly into a series of gangs including shearers, shed hands and cooks and are self-contained when they go to work on a property.

No particular incentives are paid in order to retain staff. The owners expressed the view that Central Otago provided its own incentives. It is an attractive place to work and the work is consistent, moving from the east to the Central Otago high country and then west to the lakes area around October as the season progresses. Staff are attracted by the fact that they will always be shearing some days each week. The ability to earn good money is a prime motivator for most shearers. In addition, the requirement to shear the iconic merino is seen by shearers and wool handlers alike as being an added incentive. Most shearers can work until about 50 years of age so the ability to maximize their earnings over a relatively short working life is paramount.

With training, keeping the staff safe is a key requirement with a strong focus on health and safety training. Recognition of the need to provide motivational training is well recognized. Industry training will continue to be provided in the future. The company mostly employs industry skilled shearers and shed hands. Handling merino wool demands a high standard of skill generally only able to be learned on the job. Progression in the industry is by people starting at the bottom by working as pressers or shed hands and after this, if the enthusiasm is there, progressing on to courses on shearing. The only training provider is not now operating, with the ITO trying to fill the gap, but there are a number of others within the industry who can also provide training. There is a recognized structure within the industry which recognizes different levels of skill for shearers and wool handlers with progression through four levels from junior to intermediate to senior to advanced. Of the 100 EFTs employed by this company about 50 would be at the top level four, 40 spread between levels two and three and around 10 at level one.

Productivity is becoming more of an issue as sheep are getting bigger and producing more wool and thus taking longer to shear. The industry is based on contracts based on the number of sheep and thus keeping skill and training levels high is an ongoing issue.

No issues were identified with accommodation with the company being able to provide this.

In summary it was evident that the relationship between farmer and shearing contractor is a very special one based on mutual trust and respect for their skills and with a high degree of loyalty on the part of farmers.

8.6 Intensive Cross Bred Lamb Production Unit

This person felt that the district was going through a period of change with traditional pastoral farming on the decline. Land use is changing towards dairying and the more intensive use of land. It was noted that the government has targeted to increase dairy production through the provision of additional funds in the budget for dairy support. This person felt that the Otago Regional Council's plan change 6A provided as strong a level of protection as anywhere in the country and that as a water quality tool was the best in the country. The issue seemed to be developing in the district that dairying is bad "per se" but he felt that if things are done right then any potential problems can be mitigated.

This is a 4000 stock unit operation employing both the owner and one other staff member with use of contractors at key times, eg shearing and hay and silage making – where Vanuatuan labour has been employed. Casual staff are employed from the pool of locally available retired farmers which is recognized as an important local resource. It was noted that young crutchers were difficult to find and that the pool of young people had dried up. Increasing mechanization was seen as critical to addressing future labour shortages. Comparison was made with the dairy sector where there is a better structure for moving up. The sheep and beef sector was felt to be less well-structured in terms of training and progression. Accommodation was a real problem with the farm being reasonably proximate to one of the district's key resort areas and with costs high. The difficulty of finding accommodation for his farm worker and her dog was noted.

There is an expectation that staff will stay for at least three to five years but after that they will move on for their own development.

Staff are recruited using Trade Me and Work and Income and he has used this successfully for finding staff for three positions. No Jobseekers are employed that they know of. Staff are employed under individual employment agreements.

Paid training time during working hours is a policy and as long as the course is relevant to their work then usually the course costs are also paid. The view was expressed that Cromwell Polytechnic could do more by way of short block courses, for example in the Health and Safety space. Training undertaken in the last year has been ITO driven with a focus on chain saw and tractor safety. The owner himself had been on a Federated Farmers leadership course as well as one on governance offered by the Institute of Directors. In addition, a Health and Safety manual was in the process of being prepared for the farm based on the Federated Farmers manual. The owner felt strongly that the schools and the Polytechnic were not fully committed to providing short course training.

Productivity is focused on intensive cross bred lamb production with farming systems set up to suit the environment.

In conclusion a favourable view was expressed on the willingness of the Central Otago District Council to engage with issues.

8.7 Summary

In summary therefore:

1. The mood is generally one of **confidence and optimism** amongst the people interviewed.
2. The sector is going through **a time of significant land use change**, especially on the valley floors, and people have commented on an overall decline in pastoral farming.
3. Staff numbers on farms are typically not high and some **farmers are looking to reduce this minimal number even further through increased use of mechanization and clever use of irrigation equipment**.
4. **Staff employment conditions on the farms visited were good with proper attention paid to provision of good and warm accommodation**.
5. **Young people as potential staff members are getting harder to find**.
6. It is a feature of the sector that **younger staff members tend to move on after a few years so as to further their own development**.
7. One farm used **Key Performance Indicators combined with payment of bonuses**. This was seen as an innovative way to motivate staff, however, such an approach is not widespread across the sector.
8. The **need for on the job training appears to be well recognised** on all of the properties visited.
9. Indications are that as dairy units get larger there will be a **trend towards a greater use of migrant labour because of the difficulty in attracting and retaining New Zealanders to do the job**. There are ongoing difficulties in the handling of visa issues.
10. The notion of **“the family” is one of the stand out characteristics** of all the properties visited and is a feature of life on the land in this part of the country.
11. Along with the rest of New Zealand, Central Otago has seen a decline in the number of sheep resulting in a **changing skills mix required on farms**.
12. **Regularity of shearing work during the season** is the key to ensuring staff return each year.
13. **Shearing is characterized by a high degree of loyalty** between the company and its staff and the company and its clients.

