

Queenstown-Lakes' labour market snapshot – August 2022



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Council

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2. Executive summary

What has recent data shown us about labour shortages?

The borders have reopened and visitors are returning to Queenstown-Lakes. The additional demand is a lifeline for tourism businesses starved of revenue over the past couple of years. However, finding workers to service this demand remains an acute challenge, despite Queenstown-Lakes businesses offering faster wage increases than elsewhere in the country.

We know staffing remains a challenge because:

- Job ads are double their level from before the pandemic.
- The biggest lift in job ads continues to be in accommodation and food services, but this sector still has fewer people employed than this time last year.
- Jobseeker numbers and migrant workers on employer-assisted visas are lower than last year.
- 57% of businesses are struggling to fill unskilled roles and 78% can't fill specialist roles.

What are the costs of labour shortages?

- 65% of local businesses are currently operating below 75% capacity.
- Finding staff is the factor most commonly cited by businesses as limiting their ability to grow and meet expectations of higher customer demand.
- If businesses are unable to adequately increase capacity to cater for the demands of visitors, then we risk losing out on some visitor spending. Every 1% of unmet total visitor demand over the year would be worth \$30 million of lost spending to Queenstown.
- These risks aren't just hypothetical - already during the month of June alone, it is estimated that as much as \$3 million of international visitor spending went unmet.

How can we reduce Queenstown-Lakes' worker shortages?

There are several areas where government support could help reduce labour shortages. These include:

- Investment in offshore campaigns to target international workers.
- Reducing the costs of applying for visas and invest in speeding up visa processing times.
- Raising awareness of customized secondary tax codes that ensure staff with multiple jobs do not pay too much tax.
- Ensuring there is financial support for businesses to invest in operating with a leaner workforce.

Not all actions require government intervention, there are also a range of locally-led actions which could help mitigate the effects of labour shortages. These include:

- Increased co-ordination between businesses of days they close or have reduced hours.
- Broadening recruitment to target different groups, eg. older residents, parents during school hours, casual employees, and remote workers.
- Develop packages of perks and benefits for workers to experience visitor activities to assist in worker attraction.
- Focusing on staff wellbeing.
- Explore opportunities for seasonal crossovers between industries with different seasonal patterns.

3. Labour market snapshot – recent data to June 2022

The borders have reopened and visitors are returning to Queenstown-Lakes. The additional demand is a lifeline for tourism businesses starved of revenue over the past couple of years, but lifting capacity to service this demand remains an acute challenge. Although overall employment is creeping up, many businesses are struggling to get their hands on the staff they need, despite offering faster wage increases than elsewhere in the country.

Table 1

Selected indicators of labour market conditions in Queenstown-Lakes			
<i>Stats NZ, MSD, Immigration NZ, JobFix, and Queenstown Chamber data, available at 1 August 2022</i>			
	Jun-22	Jun-21	% change
Overall employment and wages			
Total employment (filled jobs)	22,231	21,915	1.4%
Earnings (average annual wages)	\$62,342	\$57,401	8.6%
Demand for workers			
Job ads (number of online job ads)	858	783	9.6%
Worker availability			
Employer-assisted visas (people in district on such a visa)	1,072	1,363	-21.3%
Jobseekers (number of 'work ready' on this benefit)	195	291	-33.0%
Difficulty in finding workers			
Skilled/specialist (net % of businesses saying hard to find)	78%	56%	22.0%
Unskilled roles (net % of businesses saying hard to find)	57%	46%	11.0%

Key points to note from recent data include:

- There were 22,231 jobs in Queenstown-Lakes businesses in June 2022, up 1.4% (316 jobs) on a year ago. There has been a general trend of job growth since mid-2021.
- Job growth over the past year has been driven by construction (up 135 jobs) and professional services (168 jobs), followed by public administration (84 jobs) and healthcare (75 jobs).
- Accommodation and food services employment has risen by 161 jobs since its May trough as businesses geared up for a busier winter, but employment in the sector is still 147 jobs below June last year.
- Wage growth in Queenstown-Lakes was 8.6%pa in June, above growth nationally of 5.8%pa.
- The current pace of wage growth in Queenstown-Lakes is just below the 10%pa+ growth that persisted through the first quarter of 2022. The slight easing of wage growth is likely to be due to some employers reaching limits of what they can afford to pay and still maintain profitability.
- Jobs ads data highlights that demand for workers in Queenstown-Lakes remains high. The number of job ads in June 2022 (858 ads) was more than its pre-Covid level from June 2019 (408). The biggest lift in job ads continues to be in food and beverage, and accommodation.
- The pool of workers available to fill these vacancies remains extremely tight, as evidenced by the continued reductions to 'work ready' Jobseekers and employer-assisted visas holders.
- Against this backdrop, businesses are reporting acute difficulties in finding staff. The June 2022 Queenstown-Lakes Business Confidence Survey by the Queenstown Business Chamber of Commerce showed that a net 57% of businesses are finding it difficult to fill unskilled roles and 78% are finding it difficult to fill skilled or specialist roles.

4. The broader implications of labour shortages

The recent labour market data presented indicates that Queenstown-Lakes is currently facing acute labour shortages. This section puts those labour shortages further into context by identifying:

- The broader implications and macroeconomic costs of these labour shortages
- Government-led actions which could help minimise labour shortages
- Locally-led actions which could help mitigate labour shortages.

The costs of labour shortages

Labour shortages are inhibiting Queenstown-Lakes' businesses' ability to operate at full capacity and hampering profitability. The June 2022 Queenstown-Lakes Business Confidence Survey showed:

- 65% of local businesses are currently operating below 75% capacity.
- Finding staff was the most cited factor that is limiting businesses' ability to grow, a stark turn around from last year when a lack of customers was the biggest challenge.
- The consequences of these labour shortages will be a slower recovery of profits over the coming months. The Survey showed that half of businesses (a net 49%) expect increased customer demand over the next three months, but only 28% expect to increase their operating hours in response to this demand, and just 24% expect to see higher profitability.

At a macroeconomic level, the costs of firm-level challenges can quickly mount. If businesses can't adequately cater for the demands of visitors, then we risk losing out on some visitor spending. Put simply, if visitors can't wine, dine, and play how and when they want to, then the money may not be spent.

To paint a picture of the order of magnitude of these macroeconomic effects, every 1% of unmet total visitor demand in Queenstown-Lakes would be worth \$30 million of lost spending over a year. And these risks aren't just hypothetical - already during the month of June alone, estimates from international spending and visitation data suggests there was as much as \$3 million of unmet international visitor spending in the District.

There are also broader reputational risks if a lack of capacity or fall in service level leaves visitors feeling dissatisfied. These costs could quickly spill over into other parts of the country, given that Queenstown-Lakes was part of a New Zealand itinerary for almost 30% of international tourists before covid. This is a potential threat to the reputation of 'NZInc' at a time when there is a desire to target high value visitors.

Government-led actions to minimise labour shortages

There are several areas of government support that could help reduce labour shortages. These include:

- **Investment in offshore campaigns** to target international workers, including those interested in seasonal opportunities. These campaigns need to get underway urgently to ensure ample lead in time ahead of the busy summer season. We need to be cognisant of how we compete with other destinations targeting the same workers, eg. Australia and Canada.
- **Reduce the costs of applying for visas** and invest in speeding up visa processing times.
- Raise awareness through government communications channels that customized secondary tax codes can be used to **ensure staff with multiple jobs do not pay too much tax**. There is a need to change perceptions that multiple job holders will be stung with high tax on secondary jobs.

- Increase **financial support for businesses to invest in operating with a leaner workforce**. For example, the government could permit money from the funding in the Innovation Programme for Tourism Recovery to be used by businesses to invest in solutions, such as automated check-in or ordering systems, that allow them to lift productivity and service customers with fewer staff.

Locally-led actions to mitigate the effects of labour shortages

Not all actions require government intervention, there are also a range of locally-led actions which could help mitigate the effects of labour shortages. These include:

- **Increased co-ordination between businesses of days they close** or have reduced hours. This would minimize the risks of visitors experiencing situations where there was no business open nearby on a given day. In some cases, this co-ordination could also enable sharing of staff.
- **Broadening thinking around recruitment to target different groups**. For example, there may be some potential latent labour capacity among older residents, parents during school hours, casual employees, and remote workers. The expectations of these groups may be a little different to existing staff so times and days worked may need to be flexible.
- **Develop non-workplace perks and benefits for workers to experience visitor activities**. Part of living in Queenstown is getting to enjoy all the experiences that make the area attractive to tourists. Businesses could work together to attract staff by creating packages of destination experiences where business would pay for their workers to partake in activities on their days off.
- **Focusing on staff wellbeing**. Rising wages are helping raise workers' living standards, but alone aren't enough to retain staff and there are limits to how much businesses can afford to pay. Businesses need to talk to their staff and listen to what aspects of their working environment and work-life balance would encourage them to remain even a few months longer in their role.
- **Explore opportunities for seasonal crossovers** between industries with different seasonal patterns. For example, a campaign could be held targeting winter snow sports staff to increase the number of them who are matched into local employment for the upcoming summer season.