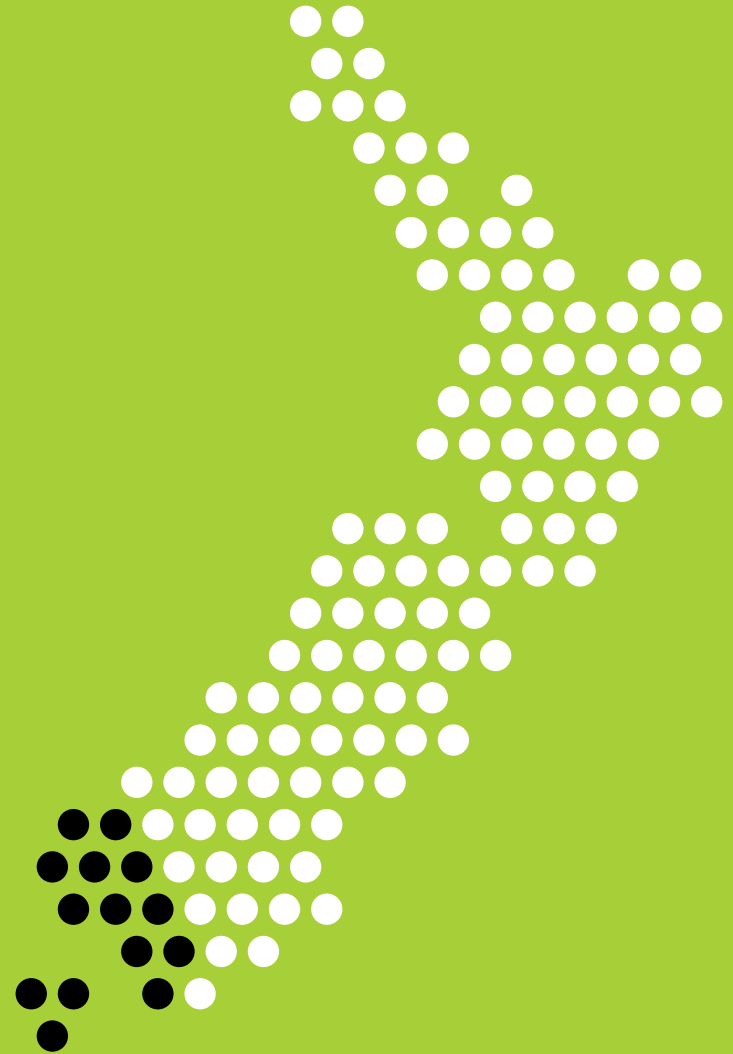


SOUTHLAND MURIHIKU

2022
REGIONAL CONSTRUCTION
WORKFORCE PLANNING
& DEVELOPMENT



**BUILDING
A RESILIENT
CONSTRUCTION
SECTOR**



WAIHANGA ARA RAU
**Construction and
Infrastructure**
Workforce Development Council

PREFACE

“Life is divided into three terms – that which was, which is, and which will be. Let us learn from the past to profit by the present, and from the present, to live a better future” William Wordsworth

In the period 2000-2019, growth in the Gross Domestic Product (GDP) of Aotearoa New Zealand’s construction sector increased 46% more than total GDP.

In the same period, the construction workforce nationally has grown significantly faster than our population, from 33.3 to 52.2 per thousand of general population.

New Zealand’s low productivity, based on GDP per hour worked, puts it in the bottom 25% of 38 OECD countries and the gap is widening.

REGIONAL CONSTRUCTION WORKFORCE PLANNING & DEVELOPMENT (Based on Australian and New Zealand Standard Industrial Classification (ANZSIC) ‘E’ codes)

From delivering critical infrastructure to connecting our communities, the construction sector in Aotearoa New Zealand has vast socio-economic impacts and is consequential to all facets of our lives. It provides the physical foundation of our society and the way we live.

The statistics above highlight key issues preventing people and projects fulfilling their potential across the sector and partly explain the industry’s struggle with recruitment and retention which are caused by broader systemic issues.

With Aotearoa’s future prosperity dependent on a construction sector that is resilient and effective, we cannot ignore what the statistics – and industry – are telling us.

Since its inception in June 2020, the Workforce Information Platform (WIP), a data-driven tool, has brought the construction and infrastructure sector’s challenges into even sharper focus, reinforcing, with clear evidence, what businesses are up against.

Pioneered by BCITO, and now managed by Waihanga Ara Rau Construction and Infrastructure Workforce Development Council, the WIP displays workforce gaps and surpluses within the national and regional construction labour markets as well as the pipeline of work by building type and workforce supply and demand.

During 2021/2022, regional workshops with industry and community stakeholders were set up across New Zealand in conjunction with Regional Skills Leadership Groups (RSLGs) to share and review the implications of information stemming from WIP data. This data reinforces the demand for construction services is significantly outstripping supply, posing a substantial problem nationally and regionally.

Workshop participants were tasked with brainstorming workforce barriers, potential solutions and priorities leading to recommendations in section 3. Collectively, they and other insights have informed the calls to action across the 15 reports that make up our **Regional Construction Workforce Planning & Development Project**.

Workshop insights, combined with our own research into the history of the construction sector’s performance, have revealed several important principles at the heart of our project:

Productivity is fundamental: Historically, the focus of the construction workforce has been on increasing the number of people on-the-tools. We need an enduring shift in approach – continuously improving productivity is vital. Measured by rate of output (Construction GDP) per unit of input (Construction Workforce), productivity is a key component in determining workforce numbers. It must be a central focus in New Zealand’s construction sector to create a resilient and sustainable workforce.

It is also key to maximising the sector’s contribution to society. We must upskill the workforce as this will increase the capability, quality and productivity of the workforce and reduce the rework and the number of people required to do the work.

Improving productivity will also enhance most of the other challenges facing the industry, such as retention, recruitment, reputation, capability, value, quality, sustainability, workforce wellbeing and health and safety outcomes while also providing a greater variety of career paths. A more stable and engaged workforce will also help to attract more customers and investment.

Boom and bust cycles must be balanced:

Construction investment decisions impact our society and shape our future. A balanced investment approach is required to ensure a sustainable society. The current practice of aligning the construction workforce’s capacity with economic peaks and troughs is counter-productive to managing demand and improving productivity.

Building a resilient and effective construction sector that provides value and enriches our society is a long-term game that depends on effective workforce planning and development.

Continuing to manage our workforce in line with a boom – bust economic cycle perpetuates a backlog of work which is more expensive to deliver and prone to reducing quality of output due to a heightened sense of urgency. An example of this is the current housing shortage which was compounded by the Global Financial Crisis and saw us fall an estimated 40,000 houses behind what our country needed.

Prioritisation is key: Construction investment decisions impact our society and shape our future. Capacity constraints require projects to be prioritised

into categories such as ‘action,’ ‘defer,’ and ‘cancel.’ A balanced investment approach is required to ensure a sustainable society.

We must create an alternative way of prioritising construction work to align with regional needs and based on a project’s impact on society. That’s why we are introducing a potential impact criteria model; a holistic approach to construction activity and activity outcomes. We propose a prioritisation process predicated on the societal outcomes of a construction project and the needs of the community it serves.

Ultimately, we are not suggesting our Regional Construction Workforce Planning & Development Project is anything more than a start, facilitating thought and discussion, visibility, and accomplishment. This is just the beginning.

Meaningful change depends on collaboration. That is why our work has not been developed in isolation – we looked to the Productivity Commission, Treasury, New Zealand Infrastructure Commission, the Construction Sector Accord and its Construction Transformation Plan for intelligence and inspiration – among other sources.

It is our aspiration that our research, findings, and recommendations catalyse collective action that delivers better results for industry and our society. We want to unite the readers and influencers of this report – industry, industry representative organisations, central and local government, economic development agencies, training organisations and Regional Skills Leadership Groups – to work together.

We must get industry and its regional voices to the table as champions for change. Industry must participate in leading the discussion and be at the forefront of developing and implementing the actions needed to create the resilient and effective

construction sector society deserves. Without achieving this first step, it is difficult to see the change we need realised without unpopular policy intervention.

For many this will mean learning new systems, interpersonal dynamics and problem-solving skills, all of which will require thoughtful incorporation into our future education programmes and industry practices, so akōnga/learners have elementary readiness from the start. It is essential that industry has access to the right people, with the right skills, at the right time. These skills will not only enhance productivity, but also deliver improved wellbeing, health and safety standards and industry reputation.

We understand and appreciate that change can be overwhelming because all change involves stretch – the need to reach beyond our comfort zone. It means embracing the challenge of learning new things and having the confidence to action them. Sustained change is perpetual learning, trying, succeeding, trying, failing, learning, trying – the end is never reached, and perfection does not exist, but striving to do better is the constant.

Innovation happens through action – you will not always get the result you want, so mitigate the risk and do it, the worst is that you learn something you can use later.

“Done is better than perfect”
Mark Zuckerberg

Southland Murihiku Regional Construction Workforce Planning & Development Report is one of 15 reports. You can read other regional reports and access educational tools at www.waihangaarau.nz/research

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WAIHANGA ARA RAU
Construction and Infrastructure
 Workforce Development Council

DISCLAIMER

Every reasonable effort has been made to maintain current and accurate information in this report. Information contained has been assembled in good faith. The Workforce Information Platform (WIP) does not accept any responsibility for the content or condition of any external links on this site.

Access to some data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. Project information used in the WIP is provided by Pacifecon NZ Limited. The results presented in this study are the work of the authors, not Stats NZ or individual data suppliers.

This project was made possible by the COVID-19 Recovery Fund administered by the Tertiary Education Commission and through the sustained support and assistance of the Southland Murihiku Regional Skills Leadership Group.

The project was initiated by the Building and Construction Industry Training Organisation and finished by Waihanga Ara Rau the Workforce Development Council for Construction and Infrastructure.



**SOUTHLAND MURIHIKU 2022
REGIONAL CONSTRUCTION
WORKFORCE PLANNING
& DEVELOPMENT**

**EXECUTIVE
SUMMARY**



Photo: Guy Hasler – Civil Contractors New Zealand.

EXECUTIVE SUMMARY

The focus of this report is to assist with understanding and forecasting workforce demand for the construction sector¹ for the Southland Murihiku region and the need to develop its capabilities and productivity to meet the challenges now and in the future.

This report investigates the future of construction workforce planning, the development of its capacity, and its significance for the region.

A series of Southland Murihiku regional workshops was held to identify regional issues and opportunities together with initiatives that could be actioned to help improve the supply demand gap in the short to medium term.

¹ Covered by the E classification under the ANZSIC system.



Why do we need to get construction right?

To set the scene, we must return to first principles and look at why it is so important that the construction sector is set up for success.

Reactive decimation of the workforce results in a backlog of work that can cause both economic and societal problems, some of which we are experiencing today – for example, the basic need for shelter:



Shortage of housing stock



Impact on wellbeing

- homelessness
- unaffordable rental housing
- decreasing home ownership rates



Impediments to the free movement of labour

- regions comment that housing is a major constraint when trying to attract recruits



Increased demand

- raising costs
- testing supply chains



The consequences

From this one shortage:



decreasing social engagement, reducing social license, and discouraging remaining in the region



reducing the ability to recruit externally



incentivising workers to immigrate offshore to build a better life

We already recognise that we are facing a skills shortage, so this works against our objectives.

The solutions to these issues depend on the construction sector working with the commercial and public sector on policy – including procurement and assuredness of pipeline demand – and funding possibly a public private joint venture partnership.

Forecast Southland Murihiku Situation: construction demand outstrips supply.

Consented projects together with an allowance for unconsented work (estimated at \$1B per quarter nationally) highlight a gap between our current construction workforce and the supply required to match the current levels of demand.

Figure 1 shows the Demand Model data, which is sourced from actual and proposed project data, at a point in time, as a result of new projects entering the pipeline and as deferred projects come on stream. The peak wave in demand will continue to roll forward in time with non-delivery and as deferred and additional projects come on stream. The data reflects planning timeframes, most fitting within a 30-month window, which demonstrates that the current demand for construction resources far outstrips the current supply.

The vertical workforce shortfall for the Southland Murihiku region is estimated to be an average of almost 2,000 workers (41.4% of the 2020 workforce) for the remainder of 2022 and an average of over 2,400 (51% of the 2020 workforce) for 2023 without factoring in the effect of delayed projects due to workforce shortages or supply channel issues in 2022. www.wip.org.nz

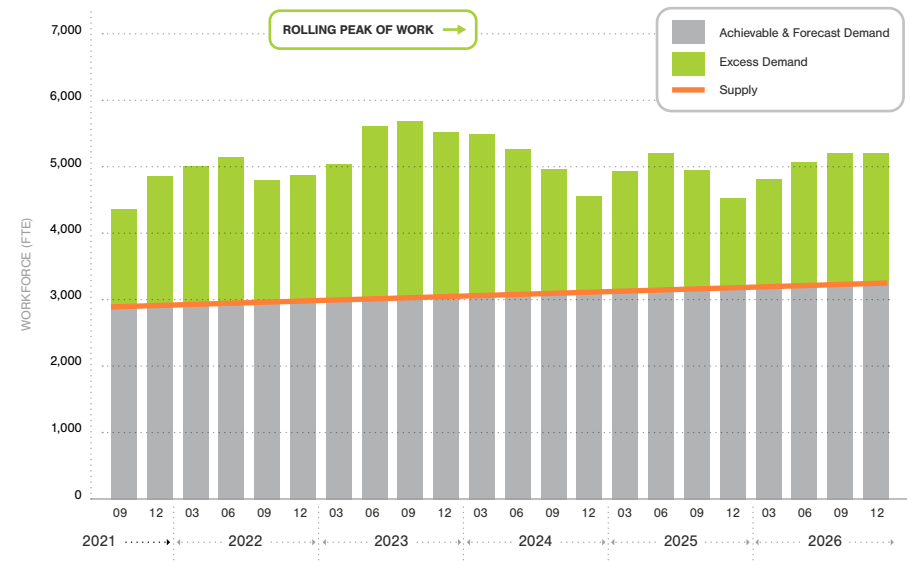
The Workforce Information Platform (WIP) data informs workforce planning by highlighting the short-term issues, however, such planning requires a focus well beyond the 60 months displayed in the WIP supply and demand graph.

Our historical analysis also helps provide a trendline that we can use to project workforce requirements, however demand is not the sole consideration for workforce planning and development. We will address other considerations throughout the report.

The WIP currently contains information pertaining to the Vertical Construction Workforce as of April 2022. The intention is to add Horizontal Construction workforce information by the end of June 2022. This will further increase the supply and demand gap but does not alter the recommendations or calls to action.

The peak wave in demand will continue to roll forward in time with non-delivery and as deferred and additional projects come on stream.

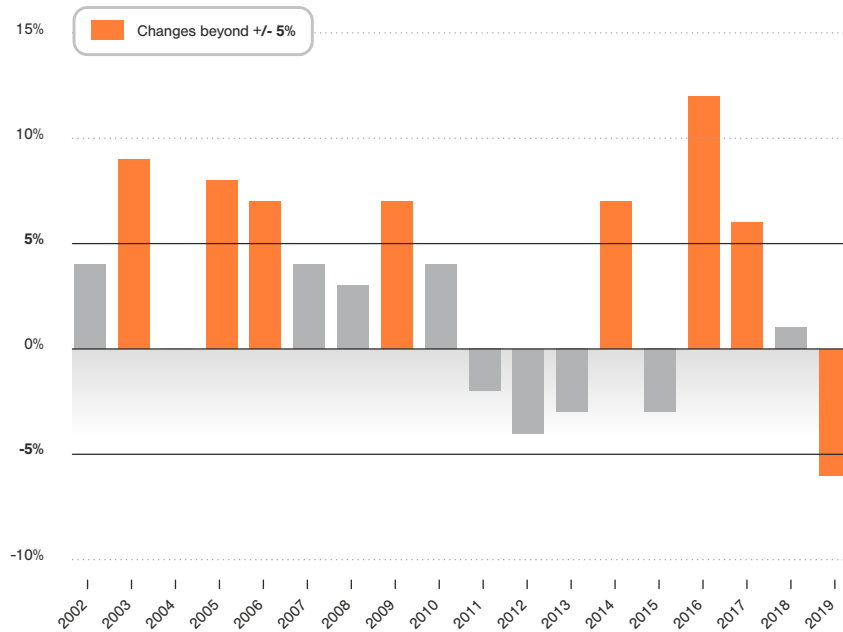
FIGURE 1: SOUTHLAND MURIHIKU WORKFORCE SUPPLY & DEMAND



Source: www.wip.org.nz

Historic Trend: Workforce management based on short-term economic cycles leads to large disruptive change

FIGURE 2: CHANGES IN SOUTHLAND MURIHIKU WORKFORCE BEYOND +/-5%



Source: Stats NZ

Current workforce practices follow a short-term project view of contracting and hiring based on short-term economic cycles. This produces wide ranging peaks and troughs in workforce population, which are not conducive to developing capabilities, improving productivity and the reputation of the industry.

The nature of contracting cycles and work practices come at an economic cost making construction costs higher than they need to be, however, addressing this will require a different way of thinking to get the desired outcomes.

Effective workforce planning and development must be recognised as a long-term game if we are to develop the capabilities required to build a resilient construction sector that will provide value and enrich our society through the results of efficient construction activity.

Remedies – what can we do?

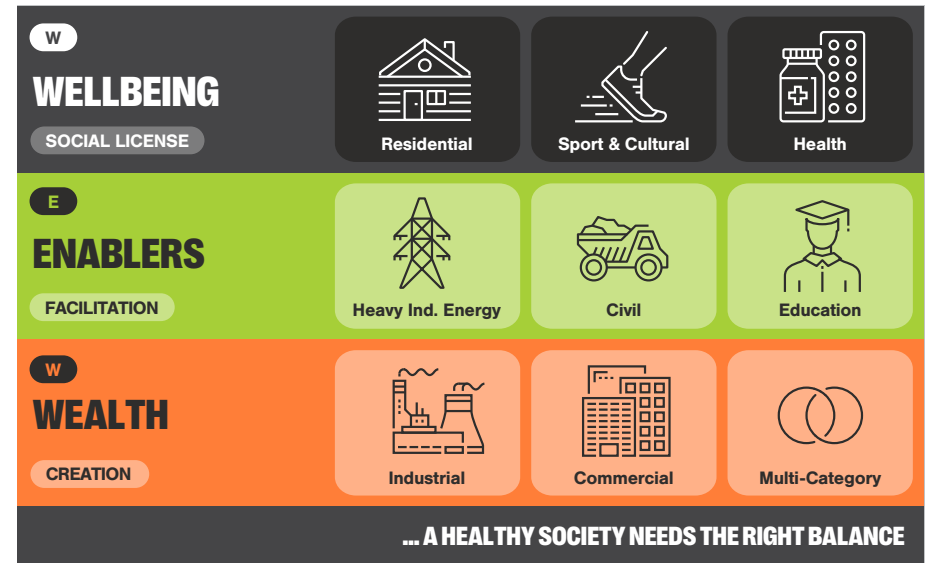
Given that a skilled workforce of the magnitude needed to address issues and leverage opportunities to meet our objectives cannot be ‘magicked’ into existence, we must look to the things we can do now to help get the maximum benefit from our available resources.

For the foreseeable future we expect to have a tight labour market with almost all sectors competing for people to join their businesses and sectors. This leads us to the realisation that as an industry we must look at ways to achieve more with fewer people.

We look at three means to alleviate the congestion:

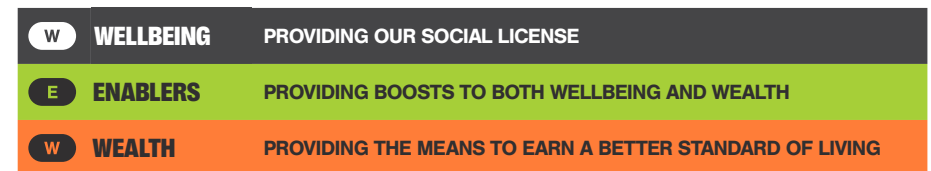
ONE: ADDRESSING DEMAND: PRIORITISING PROJECTS

FIGURE 3: CONSTRUCTION OUTCOMES IMPACT MODEL



Refer section 2.3 – for more detail.

A new way of how we might evaluate the priority given to projects in the pipeline looks at the outcomes of construction activity, assessed against three categories:



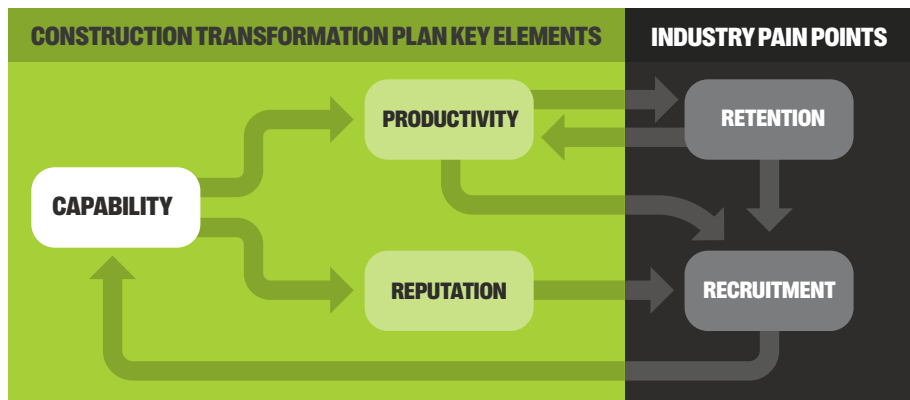
Construction investment decisions impact our society and shape our future. A balanced investment approach is required to ensure a sustainable society. We are introducing a potential impact-criteria model which takes a holistic approach to construction activity focusing on activity outcomes.

Our society needs a balanced approach to these forms of investment, understanding where gaps and over-investment in societal needs exist. By looking at some of our investment options through this societal lens and identifying potential areas of under and over investment, we will strengthen our progress as a region and as a country.

Balancing boom and bust cycles also help to address retention and builds capability in the sector. The construction and infrastructure sectors in Aotearoa New Zealand have been in a growth phase since the early 2010s but economists and the community are still looking for the next bust cycle to follow the boom rather than looking to the need for people to build housing to provide shelter, infrastructure to build our communities and projects to build prosperity.

TWO: ADDRESSING SUPPLY: OPTIMISING WORKFORCE CAPACITY

FIGURE 4



<https://www.constructionaccord.nz/assets/Construction-Accord/files/construction-accord-transformation-plan.pdf>

Optimising workforce capacity addresses the core industry pain points of retention and recruitment identified through our regional workshops as shown in the diagram.

How might we optimise the workforce capacity – now and in the future?

We have adopted the goals of the Construction Transformation Plan as our framework to optimise our workforce capacity.

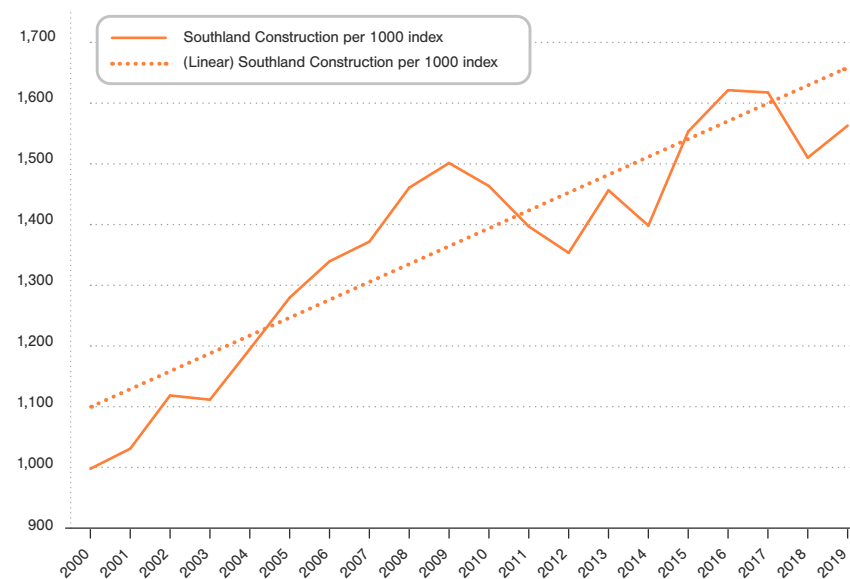
Capabilities address and resolve the internal impediments affecting productivity and reputation.

THREE: ADDRESSING SUPPLY: BASE WORKFORCE PLANNING ON LONGER TERM TRENDS NOT SHORT-TERM ECONOMIC CYCLES

We have observed that the current practice of having the construction workforce follow the economic peaks and troughs is problematic, both in terms of meeting long run demand and productivity.

The 2000 – 2019 history demonstrates that the construction workforce nationally has grown significantly faster than our population. With only modest productivity improvements this metric grows larger – but will we be competitive enough to attract the people required to grow our workforce?

FIGURE 5: SOUTHLAND MURIHIKU CONSTRUCTION PER 1000 INDEX



Source: Stats NZ

The graph also highlights the current practice of decimating the workforce in response to economic cycles, from 2000 to 2001. From 2008 to 2012 the sharp decline in workforce can be seen. The trendline shows our recommended path for workforce planning and development – build the workforce to the trendline of demand. The loss of capability and corresponding lack of construction activity created, at least in part, the housing shortage we are experiencing now. COVID-19 responses such as Apprentice Boost and the Targeted Training and Apprenticeship Fund (TTAF) have reduced the repetition of this effect in the 2020s but there is still ground to be made up, particularly in filling the housing shortage.

How many people we will need, based on productivity and workforce projections

Productivity has a major impact on workforce numbers and is key to maximising the benefits that the construction sector can contribute to our societies.

In this report we measure Construction Productivity (CP) as being the Construction GDP divided by the number of people engaged in the construction sector under the 'E' ANZSIC classifications.

In the 19 years to 2019 Southland's CP averaged 0.43% p.a. (NZ 1.382% p.a.). In the last 10 years to 2019 CP improved by 0.39% p.a. (NZ 1.756% p.a.).



Photo: EPIC!

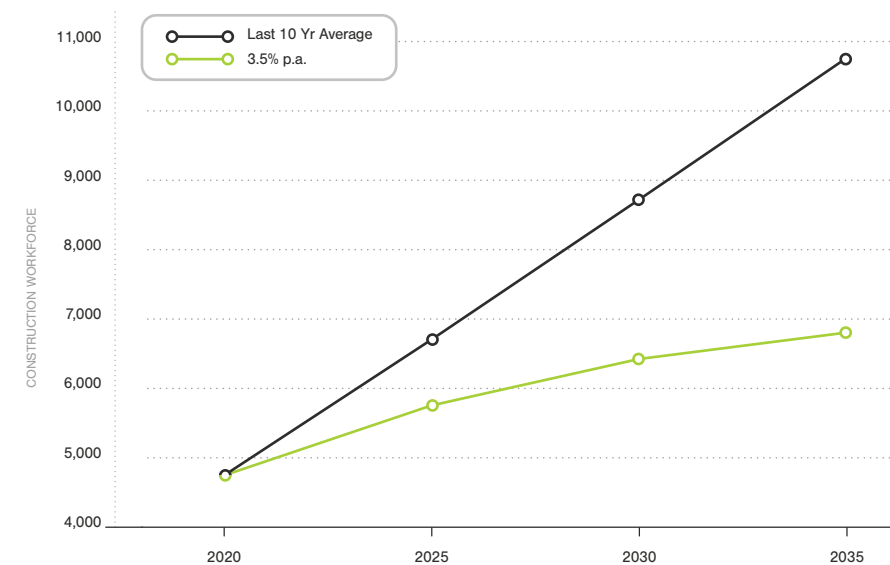
Workforce projections incorporating the impact of productivity improvements

Based on the Last 10-Year Average productivity changes, the workforce in 2035 is projected to be 10,759. If productivity could improve by 3.5% p.a. (67.5% over the 15-years) the projected workforce would only need to be 6,807: **equating to an FTE reduction of 3,952 or 36.73%**. (Real Productivity - adjusted for inflation).

Productivity is a key component in determining workforce demand and needs to be a central focus to create a resilient and sustainable construction sector.

Figure 6 shows the impact that a change in productivity has on workforce numbers (WF).

FIGURE 6: PRODUCTIVITY IMPACT ON WORKFORCE



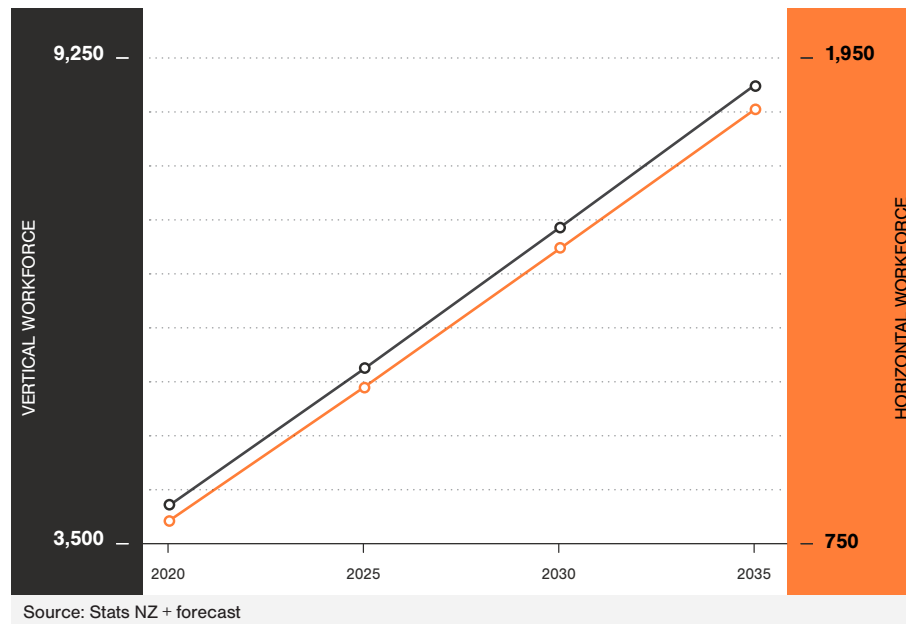
Source: Stats NZ + scenario forecast model

The black line shows the construction workforce required should regional productivity remain at the average rate achieved in the ten years to 2020.

The green line shows the WF required to achieve the same workload, but with a 3.5% annual increase in productivity over the period 2020 – 2035.

Using a very conservative approach of assuming construction payroll is equal to the median wage, saving 3,952 FTE is equal to reducing costs by almost \$222M in Southland, by lifting productivity improvements from 0.39% to 3.5% p.a.

FIGURE 7: WORKFORCE BREAKDOWN



The drivers of construction workforce demand are:

- population change
- change in the relationship between construction GDP and GDP
 - external investment, either public or private investment
- productivity.

Our workforce forecasting model factors in these drivers, using both historical trends and future expectations to predict the workforce requirement.

This diagram shows the predicted workforce numbers for both the vertical and horizontal sectors of the construction industry. These forecasts have been developed based on productivity improvements of 0.39% per annum.

Externally driven challenges facing the construction sector.

External Impediments – those that require the co-operation and collaboration of those not within the industry, examples:

COMPLIANCE

- Health & Safety and Regulatory
 - the current requirement is economically and outcome inefficient
- Building for climate change

PROCUREMENT

- pipeline commitment and timing
 - insufficient to provide the confidence required to make the investment needed
- lack of market understanding regarding standardising requirements
 - the level of bespoke work prevents efficiencies

SUPPLY CHAIN

- competitiveness of pricing domestically v. internationally
- timeliness, this issue has been exacerbated during COVID

CALLS TO ACTION

PRODUCTIVITY

- improving productivity to reduce the utilisation break-even point
- bundling contracts to provide more certainty over time to facilitate better investment in people and technology
- wider standardisation and prefabricated 'elements' to improve quality and cost efficiencies.

FINANCIAL MANAGEMENT

- arranging funding to carry work through troughs – potential joint venture public private partnerships
- changing financial planning cycles to 60 - 100 months v. 12 - 36 months
- ensure pricing reflects the financial cycles.

REPOSITIONING THE INDUSTRY

- greater industry leadership and collaboration needs to be forged between Trade and Industry Associations, industry-dedicated government bodies such as The Construction Accord, Regional Skills Leadership Groups, Waihanga Ara Rau, Infrastructure Commission, and ConCove Tūhura to provide a co-ordinated voice to advocate for policy and capability change to achieve the necessary goal – a resilient industry that provides the physical foundations for our society.

- closer relationships with customers to secure a higher proportion of work over longer timeframes
- sustainability – improving industry attention to environmental sustainability by establishing how relevant sustainability principles can be incorporated into appropriate training products. ConCove Project².

INDUSTRY INTELLIGENCE

- get the ANZSIC and ANZSCO codes sourced on IR330 and IR3 forms to improve our workforce intelligence (i.e., enhancing IDI).

WORKFORCE

- advocate to introduce a targeted open age Work Visa for Construction – say four years, which is not employer specific allowing for movement from project to project and allowing training to New Zealand standards.
- support attraction and onboarding that increases participation and outcomes for learners, employers, and industry. ConCove Project
- support Career Progression – improve Productivity through Retention, Upskilling and Reskilling ConCove Project
- diversity – Growing and Strengthening the Workforce through Diversity Waihanga Ara Rau and ConCove Projects.

²Waihanga Ara Rau and ConCove Projects noted in the calls to action above are underway as at April 2022, recommendations and actions supporting the topics will come from these projects.

“There is a fragmented business support ecosystem - not aligned to building environment” Workshop quote

COMPANIES

- employers and supervisors, especially those new to structured industry learning need support to realise the benefits of on job training
- additional support for smaller businesses likely to find change more difficult. Evidence is being sought, but it is thought this could be particularly relevant to a growing number of Māori and Pacific businesses
- there is also an opportunity for large employer and industry bodies in the sector to act regionally and nationally as agents for change and equity for the whole sector.

SOUTHLAND MURIHIKU WORKFORCE PLANNING WORKSHOP RECOMMENDATIONS

The coming months and years will be critical to marketing, recruitment, employer support, worker retention, training and upskilling of the construction workforce needed to meet the level of work planned in Southland. Therefore, it is important that there is a plan for progressing actions identified through this project. Our recommendations for next steps are to:

1. Establish and maintain a regional group with a focus on:

- developing initiatives that support increasing industry capabilities and attracting people to construction
- strengthening career pathways and transitions from other industries
- raising the cultural perception of the social value of trade professions
- providing best practice standards that can be shared and applied by industry organisations
- advocating for government and other public service agencies to promote specific issues and/or influence policy.

2. Identify current solutions

that are working effectively and evaluate areas that would support future solutions.

3. Build on future solutions

for each focus area and identify key steps that can be implemented immediately, and encourage collaboration across the industry.

SOUTHLAND MURIHIKU 2022 REGIONAL CONSTRUCTION WORKFORCE PLANNING & DEVELOPMENT

01. PURPOSE



Photo: Waihanga Ara Rau

01 PURPOSE

This report investigates the future of construction workforce planning, the development of its capacity, and its significance for society.

The focus of this report is to assist with understanding and forecasting workforce demand for the construction sector (covered by the E classification under the ANZSIC system) for the Southland Murihiku region and the need to develop its capabilities to meet the challenges now and in the future.

The regional workshops provide a local flavour to the issues they identify with as being significant for them. The workshops were also aimed at being educational and productive – identifying a local initiative that could be actioned to help improve the local status quo in the short to medium term.

1.1 Context

We relate our work in preparing this report to The Construction Sector Transformation Plan which aims to ensure a resilient sector by:

- restoring our industry’s confidence, pride, and reputation
- raising capability within the industry
- increasing our productivity.

The Construction Sector Transformation Plan (Transformation Plan) is a package of 21 programmes across six major work streams that will create transformational change in the construction industry over a three-year period to achieve the goals of the Construction Sector Accord.

The Accord was launched in April 2019, setting out the outcomes sought for the sector and a group of principles to follow to affect the culture change needed. Since that time, government and industry have been engaging widely across the sector to develop a Transformation Plan that will achieve the goals and outcomes set out in the Accord (listed previously).

<https://www.constructionaccord.nz/assets/Construction-Accord/files/construction-accord-transformation-plan.pdf>

There are many facets to this plan, and this report will provide some insight into how we might productively begin the journey to achieve those worthy objectives.

This report:

- gives an overview of population and economic trends over the last twenty years to 2020 to provide a context and understanding about the present and the steps required to assure the future we want for the construction sector in New Zealand.
- analyses the challenges facing the industry as they impact the workforce and draws conclusions indicating a course of action to achieve a resilient construction sector.

How this report is structured

Part One of this report provides context – describing the ecosystem that needs to be understood to successfully implement workforce planning, in this instance for the Construction and Infrastructure (construction) sectors. Our review gives a quick interpretation on the key elements regionally and nationally:

- Population growth
- GDP per capita growth
- Construction Workforce per 1,000 of general population (Workforce Metric (WM))
- Construction GDP as a ratio of GDP (in constant year 2000 NZ\$)
- Construction GDP per construction worker (as our productivity measure)

Part Two of this report covers the output of regional workshops which were held to share and review the implications of information stemming from the WIP showing the demand for construction services significantly outstripping supply. Workshops enabled a regional voice and gave participants the opportunity to brainstorm barriers to growing the workforce to meet demand, as well as potential solutions, priorities, and recommendations.

**SOUTHLAND MURHIKU 2022
REGIONAL CONSTRUCTION
WORKFORCE PLANNING
& DEVELOPMENT**

**02.
PROCESS AND
RATIONALE**



Photo: Waihanga Ara Rau

02 PROCESS AND RATIONALE

Our logic follows **three concepts** that look to holistically understand the past and the present and help predict and manage the future. This is significant because workforce planning and development is a long game; skilled workers take time to train so supply is not instantaneous. Workforce development (post-apprenticeship education) and productivity have been largely overlooked by the industry in New Zealand, this provides us with an opportunity to make significant progress with our workforce capability if we choose to embrace it.

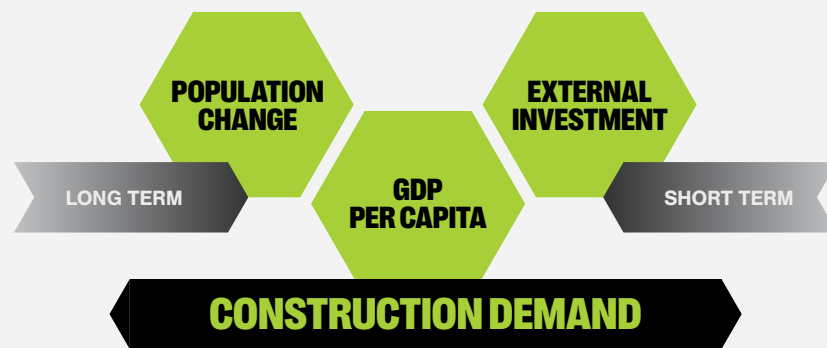
2.1 Concept One - Fundamentals for effective workforce planning

POPULATION AND GDP (GROSS DOMESTIC PRODUCT) PER CAPITA

Determining the size of the construction workforce factors in changes in population and wealth-generation (GDP per capita), which provides the ability to afford construction activity.

A society's expectations grow with greater wealth – examples include larger and more houses, health and education facilities, shops, sporting and cultural facilities, entertainment, and investment in more infrastructure and commercial activities which generate further returns.

FIGURE 8:



Demand is driven by:

- growth in population which generates demand – to provide shelter, amenities, and workplaces for the increased populace
- wealth generated by the population – the more affluent the society is, the greater the requirement for construction.

External capital typically shows up as a deviation from the trendline as these types of investment are usually not part of the normal activity and tend to be large by nature.

Governments investing in a region to boost the local economy can involve different approaches and be motivated by different things. For example:

- catching up on accumulated maintenance,
- rectifying an imbalance of social spending,
- bridging support for construction activity covering an economic dip to ensure that supply can keep up with the demand trend over the long term,
- strategic investment aimed at generating ongoing economic and or societal benefits.

ECONOMY

Economic activity follows a pattern of rolling peaks and troughs which over time demonstrate a predictable pattern, although the years in the cycle may vary a bit. This variability has been labelled the 'boom and bust cycle' by the construction sector which has tended to follow these patterns with its workforce numbers.

However, this cycle has too much variability to provide a robust workforce plan both in terms of workforce numbers and achieving economic and societal outcomes.

By understanding the relationship between construction-GDP per capita, GDP per capita, and productivity we can look to follow the growth trendline and make investment decisions for the workforce accordingly.

Any investment in the construction workforce should be managed to the trendline, not the peaks. To help alleviate the impact of these rolling cycles it is important to manage a business' capital reserves to fund the entire economic cycle.

Therefore, it is important that construction sector businesses carry out their workforce and financial planning to include the peaks and troughs of the economic cycles in which they can model the periods of downturn and devise plans to compensate without damaging their forward capacity.

One of the longstanding challenges for the industry is its fragmented nature. The skills required to navigate the complexities inherent in construction are unlikely to be found in most construction businesses by virtue of their size with almost 86% of the industry businesses (Total: 70,602 at Feb21) having a turnover of less than \$1M per annum.

The industry business owners and managers need to have a fuller understanding of the options available to plan and manage this. During our discussions with those close to the industry the feedback on this was:

- most of the small industry-players do not have the ability to plan and execute the change required on their own
- greater visibility of the key metrics required to advise on workforce investment is needed
- more awareness of how industry challenges might be addressed is necessary to gain buy-in to significant change.

Conclusion:

Greater industry leadership needs to be forged between Trade and Industry Associations, industry-dedicated government bodies such as The Construction Accord, Waihanga Ara Rau, the Infrastructure Commission and other industry and Peak Bodies to provide a co-ordinated voice to advocate for policy and capabilities change that will empower the sector to achieve the necessary goal – a resilient industry that provides the physical foundations for our society.

By developing workforce plans to a trendline and having the business systems in place that support productivity, businesses can maintain their workforce volume to take advantage when the economy begins its upwards cycle.

Those who manage their workforce in this manner will be better positioned to take market share from those that do not. By being able to handle downward parts of the cycle through a reduced utilisation rate, rather than just a headcount drop, construction businesses will become more sustainable and more profitable over the longer term. This will require efficiencies that reduce the utilisation-rate break-even.

2.1.1 CONSTRUCTION WORKFORCE PLANNING

The number of people in the construction workforce is driven by population and wealth. By using the metric of workforce per 1,000 of general population we can account for changes in our regional or national population. It also gives us a ready calculator e.g., a 53.5 per 1,000 means that if we grow our population by 100,000 it means we will need 5,350 more people in the construction sector, if using the current ratio.

FIGURE 9: WORKFORCE METRIC



We can break this down by the (ANZSIC) code to drill down into specific trades and determine how many carpenters, concrete workers, electricians etc. the industry will need. Currently the information is obtained at company level, so it includes all staff (e.g., administration) not just people on the tools. (One of our recommendations is to capture this at individual level, perhaps as part of the annual tax registration process).

This gives us the growth element of our equation; we then add our expected attrition headcount (attrition rate x opening workforce number) to get our recruitment target. Over time we will get a better understanding of the relationship between the recruitment target and training target as some employees/learners may already possess the skills required.

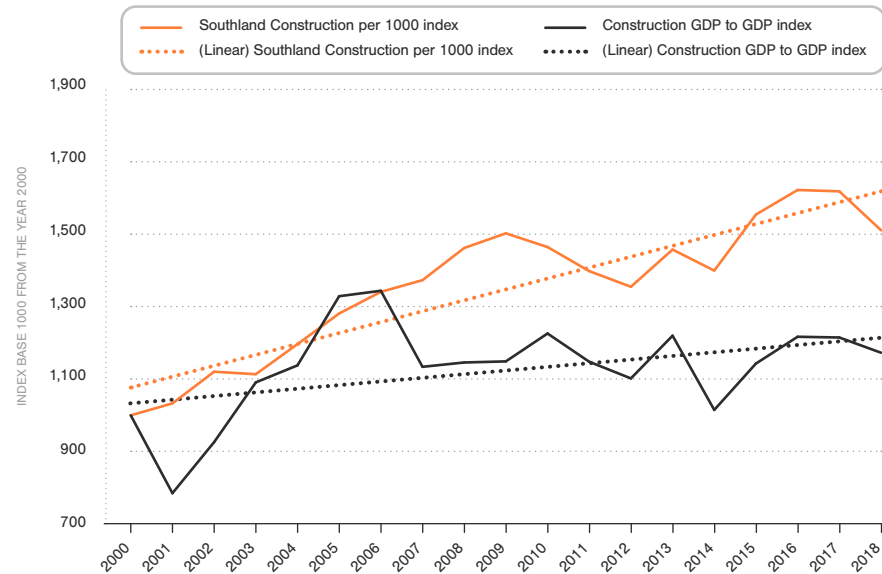
Nationally our workforce metric (WM) has gone from 33.3 per 1,000 20 years ago to 53.5 per 1,000 in 2020.

Our construction workforce has grown significantly faster than our general population, so we endeavour to identify the drivers behind this growth. This is necessary if we are to improve our workforce planning and productivity.

Construction Workforce planning needs to plan for peaks and troughs and smooth the growth on workforce numbers rather than grow and retrench in what is a predictable and manageable cycle.

Doing so will build the trust of the workforce and enhance the reputation of the industry – both required to achieve a sustainable and resilient industry. These outcomes are consistent with the goals outlined in the Construction Sector Transformation Plan.

FIGURE 10: CONSTRUCTION GDP: GDP AND WORKFORCE METRIC



Source: Stats NZ

Economic wealth is measured as GDP per capita. By expressing the change in Construction GDP as a ratio of the change in overall GDP (including adjusting for inflation and using an index system starting in the year 2000 beginning at 1000) we can predict the trend in construction workforce per 1,000 people in the population.

As can be seen, the trendline for WM (workers per 1,000) follows the Inflation-adjusted Construction: Regional GDP per capita trendline. In absence of any other guide, this measure will be our indicator for demand of construction workforce per 1,000. (2019 is the last year NZ Statistics has reported Construction GDP.) The key to predicting future requirement is testing for indications of change in population growth, construction GDP, GDP, and productivity.

In addition, regular updates need to track persons per domicile and housing stock analysis. This allows for visibility of residential demand which currently equates to the largest share of our total spend based on the data from 2012. This will also give insight into three waters, energy, health, and education demand.

Understanding each assumption means that recalculation can be easily triggered after statistics show a deviation from the expectation. This keeps our projections alive and as accurate as they can be – in absence of a more accurate alternative.

REGIONAL HISTORY 2000 – 2019 AND WORKFORCE FORECASTS 2020 – 2035

FIGURE 11

Year	Workforce Metric	Workforce
2000	29.2	2,702
2009	43.8	4,113
2019	45.6	4,633
2020	46.2	4,751
2025	62.0	6,707
2030	77.3	8,721
2035	92.0	10,759

Source: Stats NZ + Analysis

This table shows the Construction Workers per 1,000 (WM) and the Construction Workforce figures for the period from 2000 to 2020 actuals and the projections for 2025, 2030, and 2035.

This table shows the 15-year growth to 2035, based on scenario A – this predicts an 126.4% growth in the required construction workforce which is significantly higher than the 13.7% projected population growth raising our Workforce Metric to 92.0 per 1,000.

The key driver of Construction GDP in scenario A is population growth. This scenario A is based on a productivity improvement of 6% over the period which assumes continuation of the last 10-year improvement rate of 0.389% p.a.

A key risk to the workforce projection is Southland’s ability to build sufficient housing. This projection will require new build volume to go from approximately 300 p.a. to 550 p.a. and require most of Southland’s new population to work in construction which is unbalanced and undesirable. A focus on improving productivity will reduce the construction workforce numbers and build residential capacity for other parts of Southland’s growing economy. These areas of focus will also increase the demand for planning, professional technical support, as well as the need for increasing the availability of land to scale up building public utility infrastructure.

FIGURE 12

Growth	2020-2035
Δ Workforce	6,008
Δ Workforce	126.4%
Δ Productivity	6.0%
Δ Inflation	40.2%
Δ Region GDP	117.9%
Δ Constn GDP	221.7%
Δ Regional Popn	13.7%
Δ National Popn	13.0%

Source: Stats NZ + Analysis

Given the employment market is currently, and predicted to continue to be, highly competitive with widespread shortages, the question must be asked:

How realistic is it to continue current industry practices that require so many people?

This is the central focus of this report, but we will touch briefly on the other two elements as they are both of great significance.

2.1.2 CONSTRUCTION WORKFORCE DEVELOPMENT

‘Capabilities’ is about matching training and support to the needs of the industry. This was a major driver behind the Reform of Vocational Education (RoVE) and remains key to Waihanga Ara Rau and the role of the other Workforce Development Councils (WDCs).

As the voice of industry, WDCs will primarily work with industries and employers in their sectors, including Iwi and Māori industry and businesses. They will give industries greater leadership and influence across vocational education.

Waihanga Ara Rau works with its industries to develop and maintain a strategic view of the skills their industries require now and in the future. They translate these needs into expectations of what the vocational education system will deliver.

CAPABILITY SUMMARISED

At a high level we can align capabilities into two groups

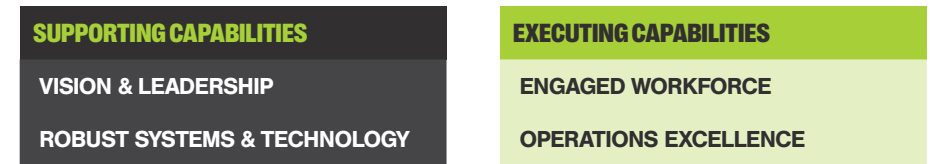
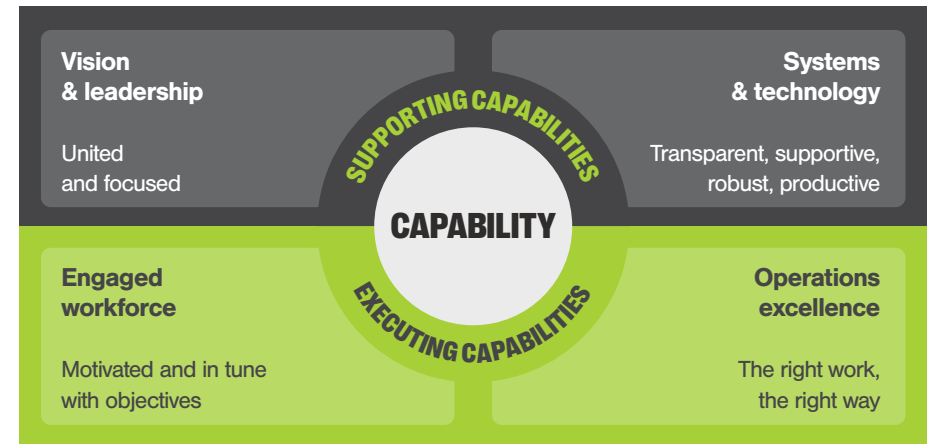


FIGURE 13



These are mutually inclusive – both are required for success.

Key themes revolve around direction, communication, trust, empowerment, structure, and order.

Creating a resilient construction sector will require a step-change in the way we think about our work, workplaces, and our people.

Accurate, timely and relevant information is a vital support mechanism that guides our planning and actions, providing risk mitigation as well as confirmation of success.

Investment in technology where appropriate will improve productivity and competitive advantage.

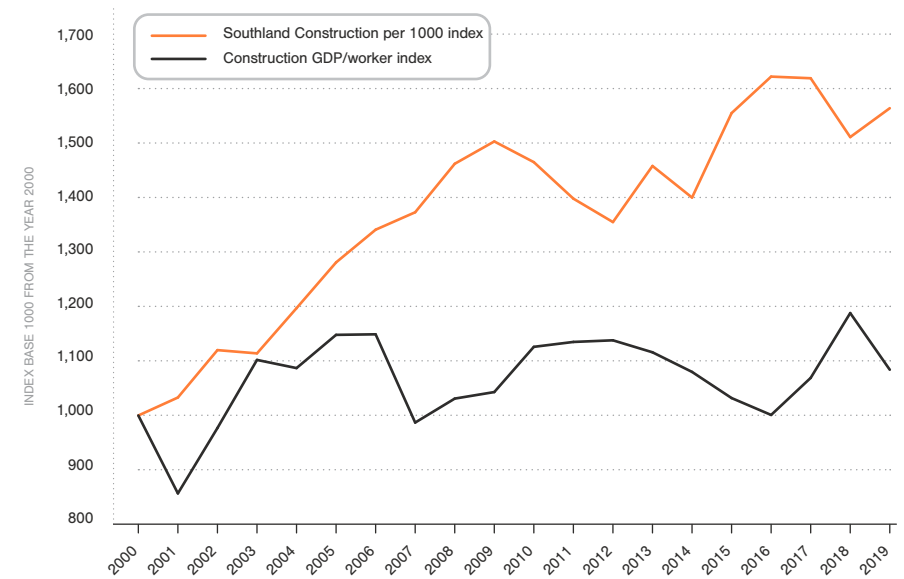
Continuously challenging the way we do things will mitigate the disruptive risk posed by the industry’s maturity and fragmented structure.

FIGURE 14



PRODUCTIVITY

FIGURE 15: SOUTHLAND MURIHIKU CONSTRUCTION PRODUCTIVITY



Source: Stats NZ

The graph shows that productivity improvement does not follow our WM as indicated by the gaps between the orange and black lines.

This indicates that our past workforce focus has simply been on number of people, often at the expense of productivity - highlighting an untapped opportunity to grow our ability to do the work with fewer more productive people.

This has been outlined both by the Construction Transformation Plan and the Productivity Commission.

FIGURE 16

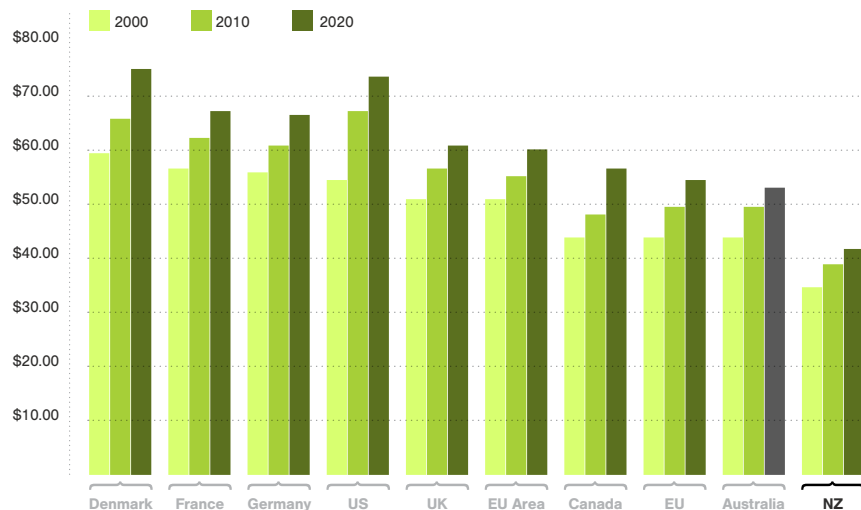


We have used Construction GDP per construction worker as our measure of productivity, based on the number of people engaged in construction activity as an indication of productivity.

We have used the Real Productivity value (inflation adjusted) to be consistent with the OECD results in Figure 17.

‘People engaged’ covers: employers, self-employed, and employees encompassing not only those “on the tools” but also people fulfilling overhead functions required to operate the business.

FIGURE 17: GDP PER HOUR (USD)



Source: OECD

When considering productivity, we need to look not only comparatively within New Zealand, but more importantly outside our borders. Figure 17 shows New Zealand’s productivity based on GDP generated per hour worked compared against a basket of OECD countries.

New Zealand’s 20-year growth was 19.32% (low) and had the lowest GDP per hour worked:

- US\$35 in 2000 – US\$8.90 behind the next lowest, Australia
- US\$41.80 in 2020 – US\$11.80 behind the next lowest, Australia.

Denmark is recognised as a SAE (Small Advanced Economy) along with New Zealand, so this is where to aim – our size need not hold us back. New Zealand is the lowest generator of GDP per hour worked and the gap is widening – improving capability and productivity needs to be part of the plan for Construction Workforce Planning. <https://data.oecd.org/lprdy/gdp-per-hour-worked.htm>

Going forward we need to consider the workforce as a combination of not only hands on tools, but also:

- skills through training and ongoing development
- systems that support & grow workforce performance
- the adoption of better technology when beneficial.

Improvement in systems, management capability and greater adoption of technology are all means by which this can be achieved.

IMPACT OF CHANGE IN PRODUCTIVITY.

FIGURE 18: INCREASING PRODUCTIVITY REDUCES REQUIRED WORKFORCE

Δ PRODUCTIVITY p.a.	Δ PRODUCTIVITY 15-YEAR	Workforce	Δ Workforce	WM
0.389%	6.0%	10,759	Status Quo	92.0
2.5%	44.8%	7,874	-2,885	67.4
3.0%	55.8%	7,320	-3,439	62.6
3.5%	67.5%	6,807	-3,952	58.2
4.0%	80.1%	6,333	-4,427	54.2

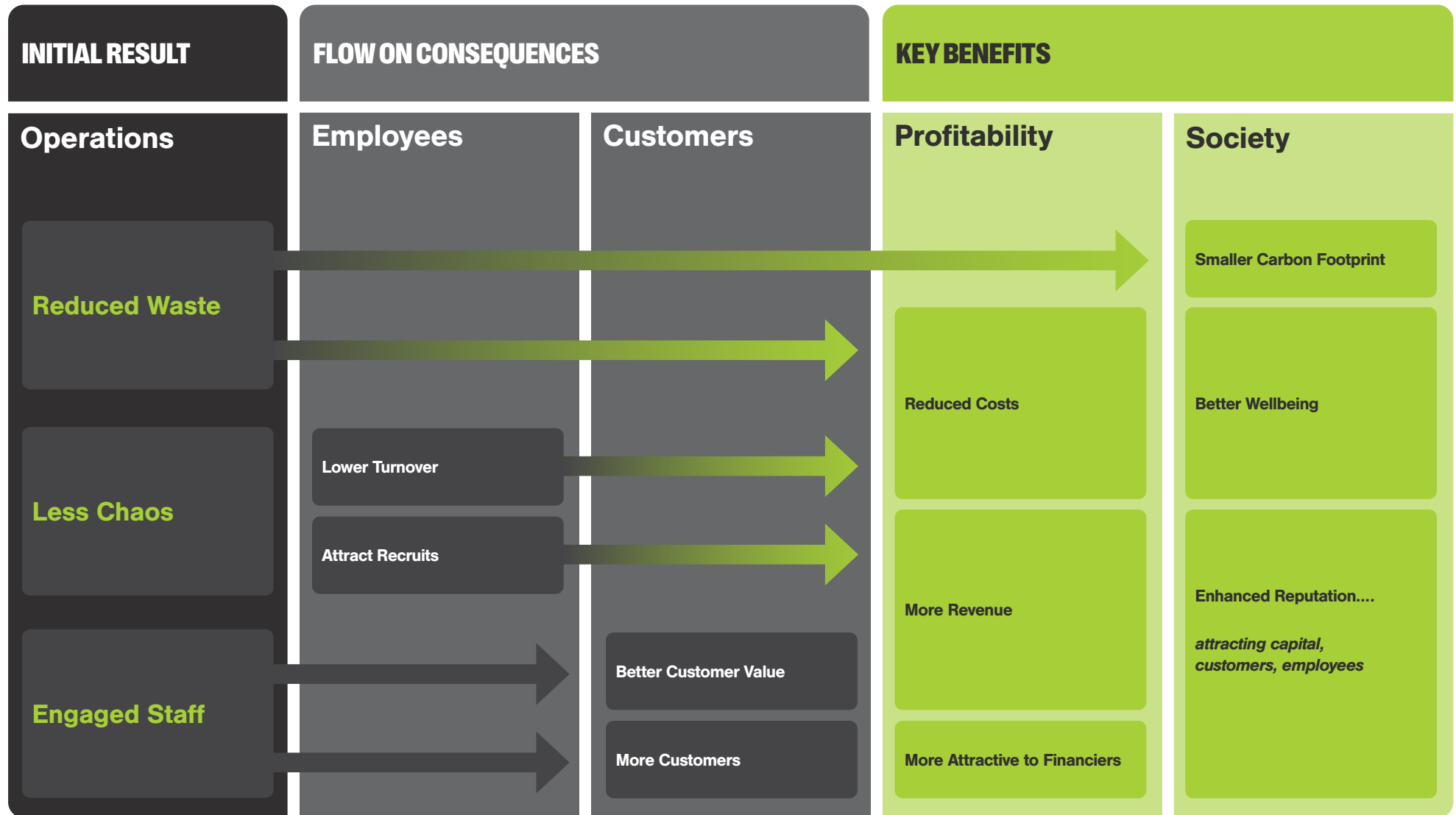
Source: Stats NZ + Analysis

This table shows the impact of different average annual productivity changes over the 15-year period and the impact it has on workforce numbers.

For New Zealand generally productivity improvements have been tied to working more hours.

Our future efforts must switch to working smarter.

FIGURE 18.1: THE BENEFITS OF IMPROVING PRODUCTIVITY

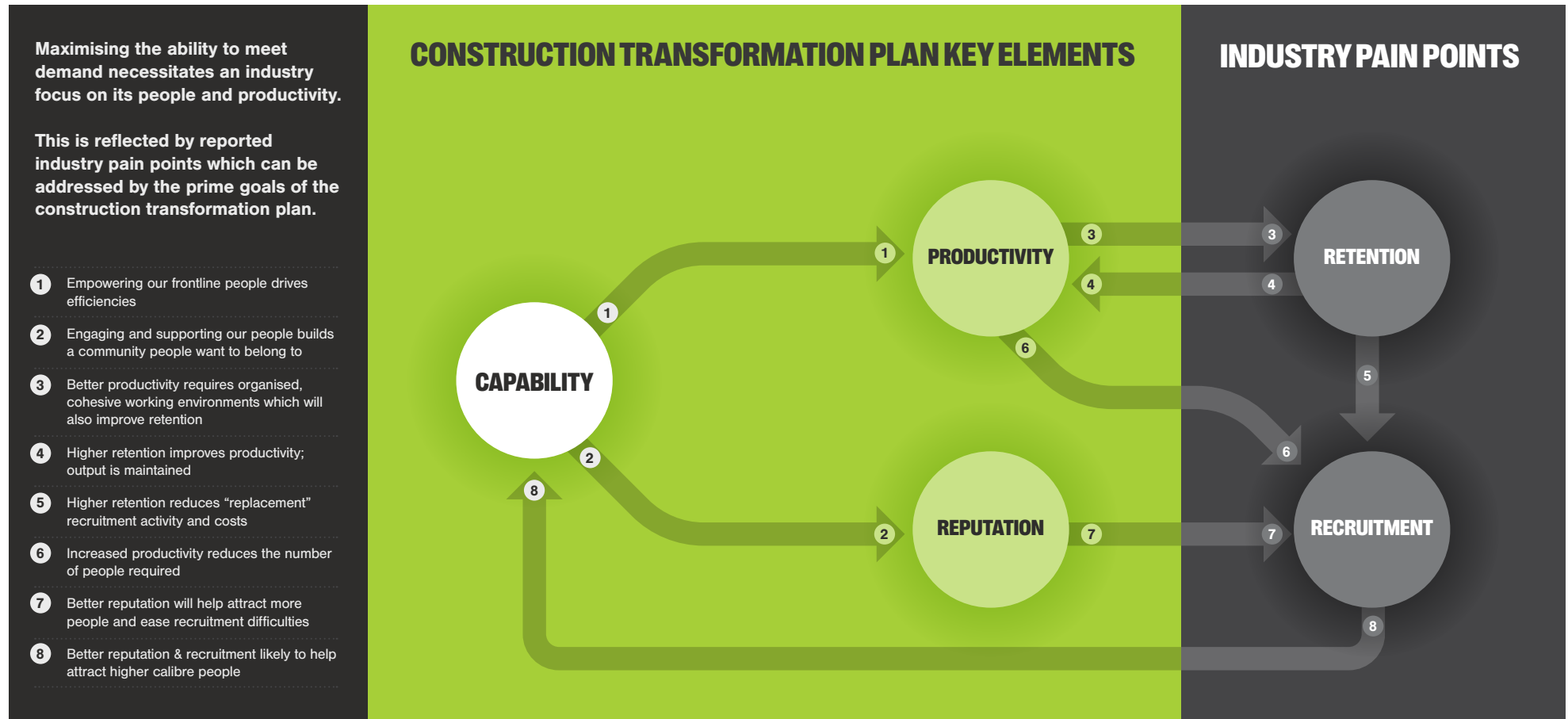


The commercial impacts of this are significant – the change in workforce numbers means a significant decrease in labour costs, even when factoring in likely increases in remuneration in recognition of the improved productivity.

2.1.3 OPTIMISING WORKFORCE CAPACITY

Figure 19 shows the relationship between the industry pain points 'recruitment and retention' identified in the workshops and the key elements of the Construction Transformation Plan, being capabilities, productivity, and reputation.

FIGURE 19: OPTIMISING WORKFORCE CAPACITY



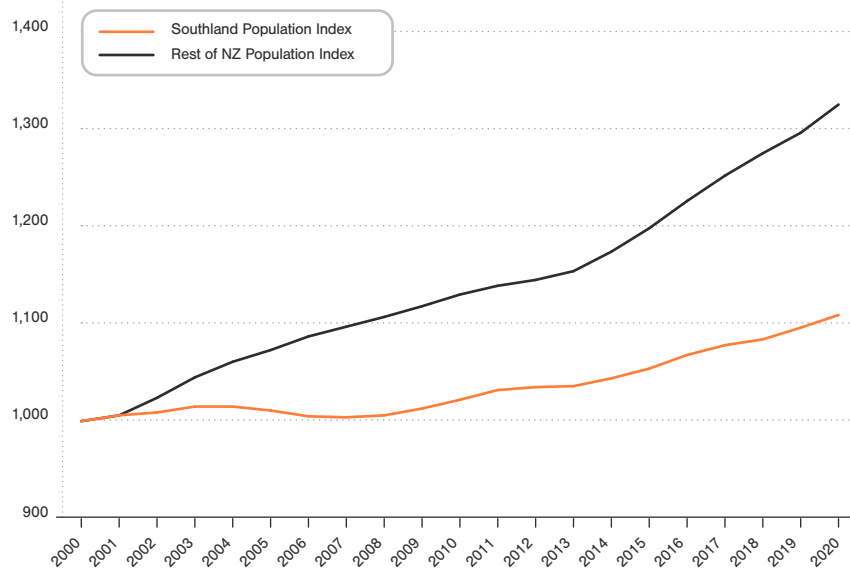
2.1.4 THE RELATIONSHIPS THAT DRIVE WORKFORCE DEMAND

The key drivers of construction workforce demand are population growth and GDP per capita growth. The following section highlights what happened to those economic drivers over the past twenty years.

The following graph series demonstrate economic trends of the construction demand drivers in the 20-year period to 2020 within the region. This series follows the chain reaction that leads to construction workforce demand. What the graphs do not clarify is the detail of external investment which typically shows up on our graphs as spikes in the trend.

POPULATION CHANGE

FIGURE 20: POPULATION TREND



Source: Stats NZ

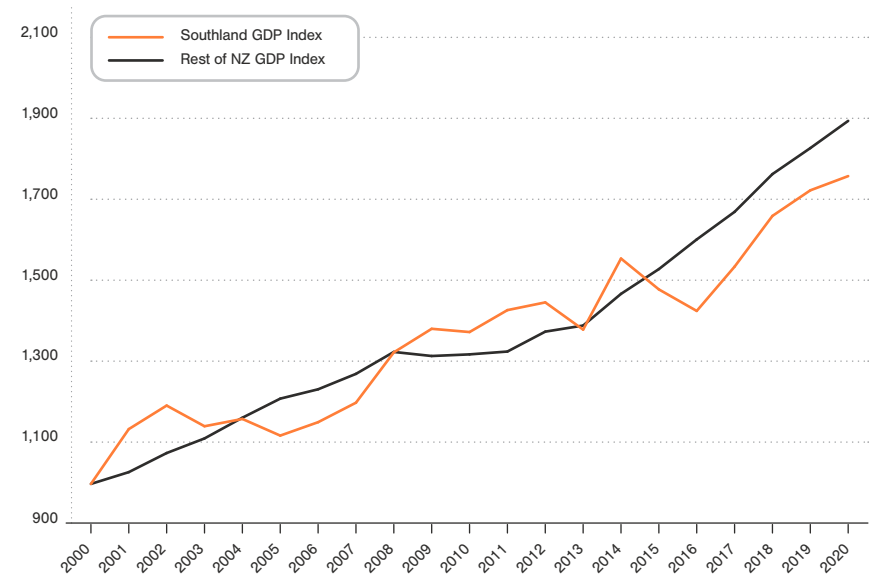
The Southland Murihiku region’s population has grown 10.9%, more slowly than the Rest of New Zealand which grew 32.47%.

This has an impact on the region’s GDP growth and level of construction investment from regionally driven demand.

New Zealand grew by 31.95% for the 20-years to 2020.

GROSS DOMESTIC PRODUCT

FIGURE 21: GDP TREND

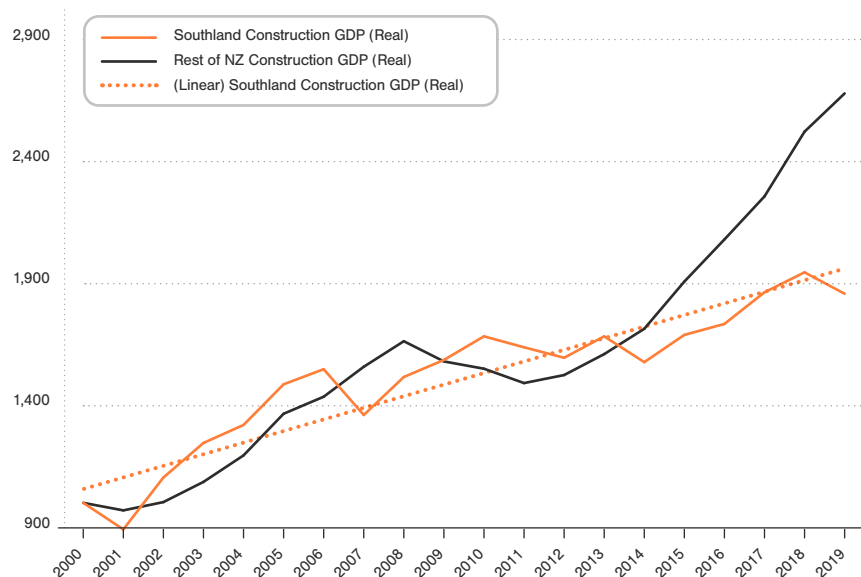


Source: Stats NZ

The gap in GDP trend between Southland Murihiku and the Rest of New Zealand has been widening since 2015 with Southland Murihiku GDP growing 18.84% in the five years compared to 23.85% for the Rest of New Zealand.

REGIONAL CONSTRUCTION GDP

FIGURE 22: CONSTRUCTION GDP



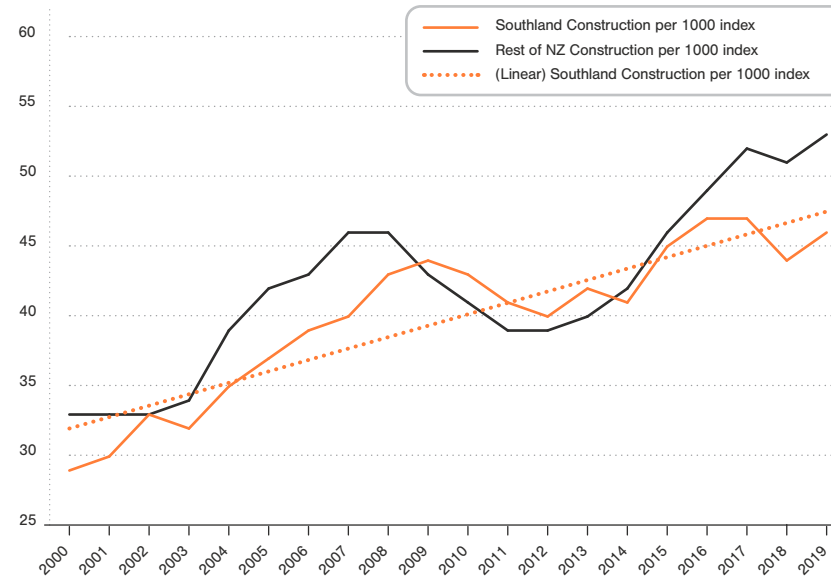
Source: Stats NZ

This table shows Southland’s Construction GDP trends for the 2000 – 2019 period compared to the trends for the Rest of New Zealand.

Southland Murihiku trailed behind the Rest of New Zealand since 2014, growing only 17.8% compared to the Rest of New Zealand at 56.4%.

CONSTRUCTION WORKFORCE

FIGURE 23: WORKFORCE METRIC TREND – SOUTHLAND MURIHIKU V. REST OF NZ



Source: Stats NZ

The previous graphs showing the economic drivers of construction workforce demand leads us to the impact that these have on our metric, Construction Workforce per 1,000 of general population.

Southland Murihiku WM has grown from 29.2 in 2000, to 46.2 in 2020 – 58.22% growth.

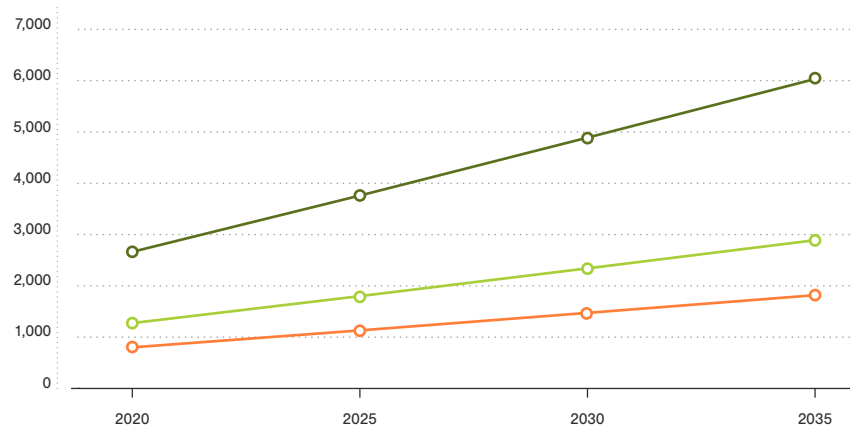
Construction workforce grew by 2,049 or 78.82% compared to population growth of 10.9% for the 20-year period.

2.2 Concept Two - Current v. Future; gaps and options

2020 WORKFORCE & PROJECTED 2035 WORKFORCE

FIGURE 24: WORKFORCE FORECAST SUMMARY

SOUTHLAND MURIHIKU		CONSTRUCTION WORKFORCE NUMBERS			
ANZSIC Code	ANZSIC ANALYSIS for CONSTRUCTION	2020	2025	2030	2035
E30	VERTICAL BUILDING	1,279	1,805	2,347	2,896
E 32	VERTICAL SERVICES	2,667	3,765	4,895	6,039
E 31	HORIZONTAL	806	1,137	1,479	1,824



Source: Stats NZ + Analysis

This table shows the 2020 position and the 2035 projection for the construction workforce analysed by ANZSIC code. The graph shows the 2035 top 3 'E' ANZSIC classifications.

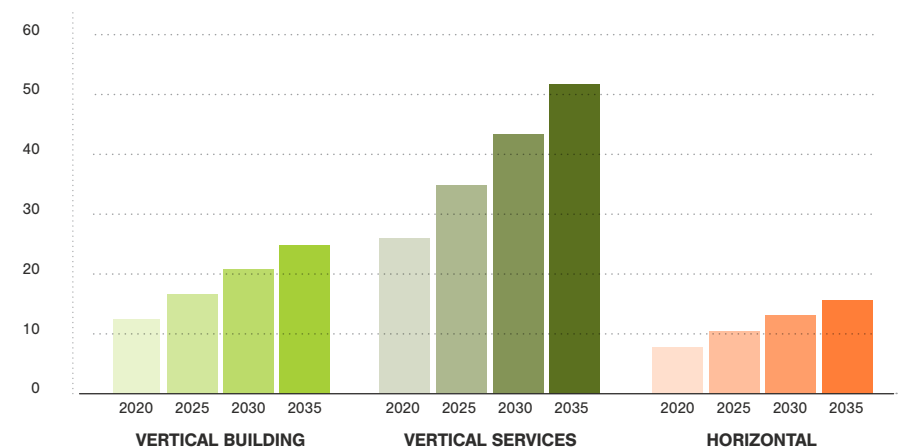
This data is collected annually by company classification and includes all the people engaged in the workforce, including overhead staff which we guesstimate being somewhere between 18 – 20% of the workforce.

The ANZSIC figures have been reconciled to the Household Labour-Force Survey by applying a multiplier to the Geographic Units figure. While these figures are not perfect, they are the closest indication we can make based on understanding the drivers of construction workforce demand identified in section 2.1.

2020 & PROJECTED 2035 WORKFORCE METRIC

FIGURE 25: WORKFORCE METRIC FORECAST SUMMARY

SOUTHLAND MURIHIKU		CONSTRUCTION WORKFORCE NUMBERS			
ANZSIC Code	ANZSIC ANALYSIS for CONSTRUCTION	2020	2025	2030	2035
E30	VERTICAL BUILDING	12.4	16.7	20.8	24.8
E 32	VERTICAL SERVICES	25.9	34.8	43.4	51.7
E 31	HORIZONTAL	7.8	10.5	13.1	15.6



Source: Stats NZ + Analysis

The allocation of the workforce to the ANZSIC classification has been done on a last two-year share basis. Some regions may have trends, e.g., a higher rate of growth in Air Conditioning & Heating Services as the skills lend themselves to setting up and maintaining plant being installed as part of the decarbonization programme. However, these are likely to be incidental in the overall picture bearing in mind this is intended as a best indication.

The following table shows the Workforce Metric (WM) position for 2020 and projections for 2035. This value discounts the population growth factor from the equation, so we can see more clearly the change in workforce driven by the change in GDP construction: GDP and productivity.

BENEFITS OF IMPROVING PRODUCTIVITY

- Raises profitability by reducing cost
- Reduced waste lessens our carbon footprint
- Improves access to capital by making us a better investment proposition.

The conditions required to improve productivity improve the workplace resulting in reduced attrition, improved attractiveness for recruits, and becoming more competitive in the job-market. A more stable and engaged workforce also attracts more customers.

The combination of these effects will make us a more resilient industry.

For more detailed analysis by ANZSIC codes refer Appendix Tables 6 and 7.

2.3 Concept Three – Making better choices

Construction investment-decisions impact our society and shape our future. A balanced investment approach is required to ensure a sustainable society. We are introducing a potential impact-criteria model which takes a holistic approach to construction activity focusing on activity outcomes.

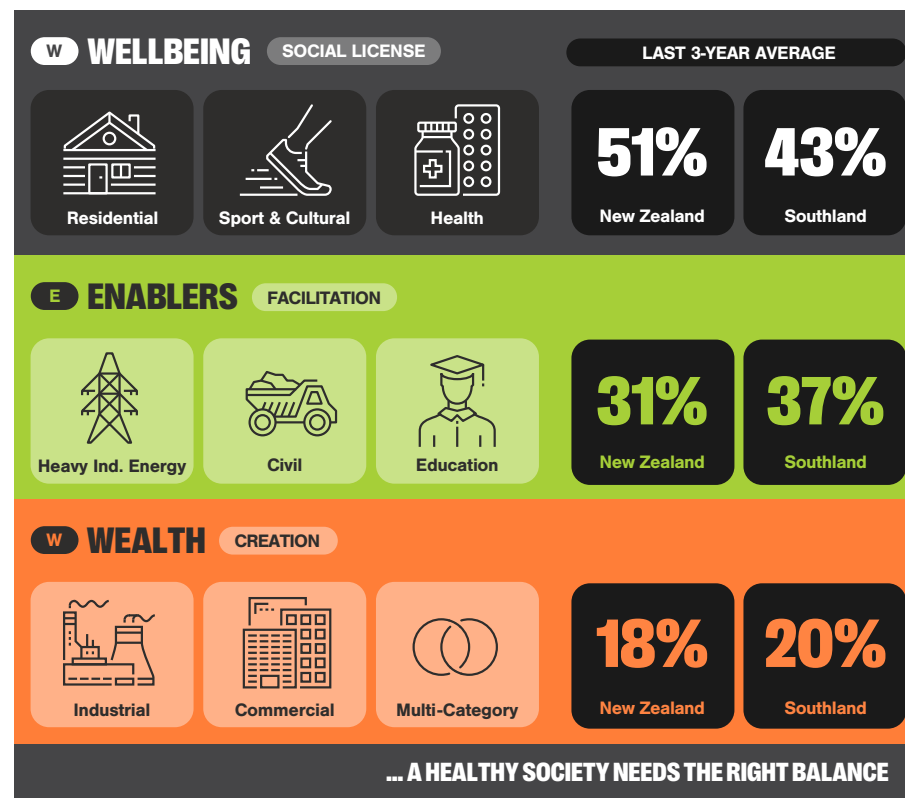
“Sustained growth in the construction sector means it is near operating capacity. ...It will be important to ensure that this limited capability is directed to investments that provide the greatest value to New Zealanders.”
 The Treasury – 2022 Investment Statement

Our society needs a balanced approach to these forms of investment. By looking at some of our investment options in this way we may find some of the decisions that need to be made are helped by adding this societal lens, identifying potential areas of under and over investment that weaken our progress as a region and as a country.

Capacity constraints ultimately require prioritising projects into action, defer, and cancel. This model guides the prioritisation process based on the societal outcomes produced by a construction project, and the needs of the community, particularly where under or over investment can be identified for a particular outcome category.

The figures so far are based on 6 years – 2015 to 2020, and while these reflect our national average, they do not necessarily strike the right balance given New Zealand’s current housing and infrastructural challenges. A more detailed set of tables can be seen in the Appendices in section 4.1.

FIGURE 26: CONSTRUCTION OUTCOMES IMPACT MODEL



Perhaps by using this model and refining it we will avoid recreating our current shortfall in housing stock and underinvestment in infrastructure, as visibility generally leads to better management. We are not suggesting this as anything more than a start – encouraging:

- thought and discussion
- visibility and accomplishment.

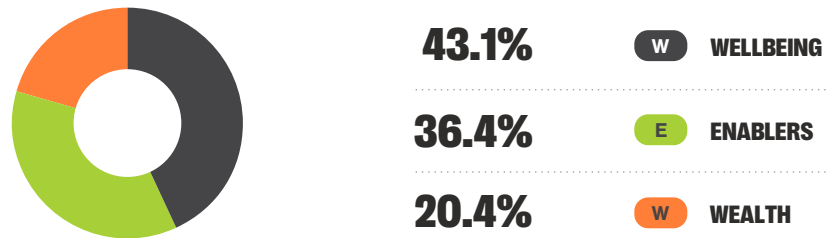
“Done is better than perfect” Mark Zuckerberg

Balance of Construction Investment

The graphs demonstrate that the balance between Wellbeing, Enablers, and Wealth (WEW) are in line with the national split. Our outcome-based model allocates construction activity into three categories summarized below:

WELLBEING OUTCOMES

FIGURE 27: SOUTHLAND MURIHIKU CONSTRUCTION OUTCOMES 2018-2020 AV.



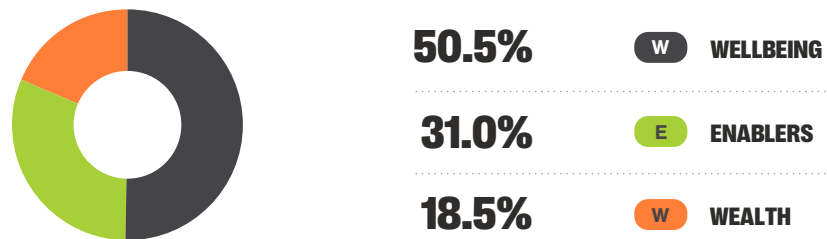
Source: www.wip.org.nz

WELLBEING is defined as the institution of social license by providing shelter and welfare, through residential building and retirement villages, health facilities, and recreational and cultural facilities.

Housing, retirement villages, health, sporting, and cultural construction projects that form an important part of political leadership and societal social license. Weakness in these areas are sources of unrest and disruption – inconsistent with the democratic ideal.

ENABLER OUTCOMES

FIGURE 28: NEW ZEALAND CONSTRUCTION OUTCOMES 2018-2020 AV.



Source: www.wip.org.nz

ENABLERS is defined as the conditions that must exist to generate prosperity such as educational facilities and communications including telecommunications, roading, bridges, ports, tunnels, airports, and of course energy and three waters. These are the elements that are required to facilitate and attract Wealth generators.

WEALTH OUTCOMES

WEALTH is defined as structures that house our productive capability for commercial, industrial, and agricultural endeavours.

These are the end-use wealth producers, commercial, industrial, and aqua/agricultural trading in goods and services regionally and internationally.

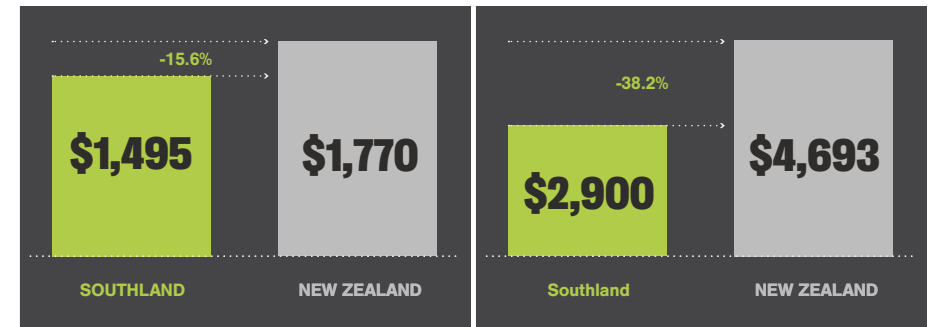
Any society needs a balanced investment in all three categories to be sustainable. Our contention is that when faced with over demand we can use these criteria as part of the investment decision-making process e.g., prioritising projects that correct an imbalance and avoid projects that create one.

HORIZONTAL AND VERTICAL SPEND.

In round figures, New Zealand has a last-3-year average horizontal construction spend per capita of \$6,463 v. Southland Murihiku at \$4,395 per capita.

FIGURE 29: HORIZONTAL PER CAPITA SPEND

FIGURE 30: VERTICAL PER CAPITA SPEND



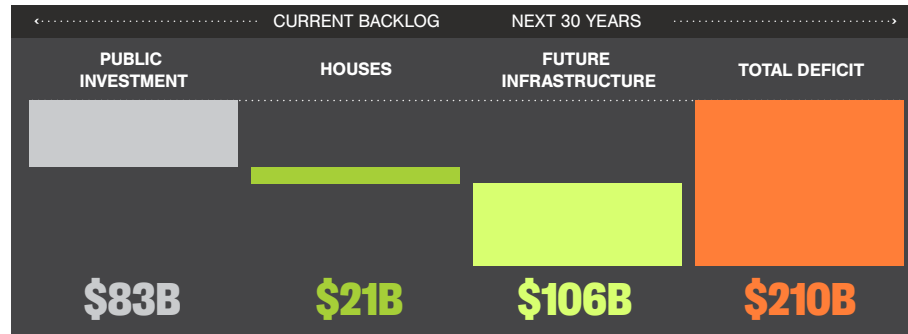
Source: www.wip.org.nz

Southland Murihiku spends 32% less on construction per capita than the New Zealand average.

he Vertical spend per capita is 38.2% lower, while the Horizontal spend per capita is 15.6% less.

This partly reflects Southland's lower population growth – in the 20-years to 2020 Southland Murihiku grew over 16.28% slower than the Rest of New Zealand.

FIGURE 31: THE TREASURY'S ESTIMATED INFRASTRUCTURE DEFICIT



Source: The Treasury

The Treasury's 2022 Investment Statement has identified a \$210B infrastructure deficit:

- **\$104B – what should have been built, but has not**
 - \$83B shortfall in public investment
 - \$21B estimated to eliminate the current housing shortage
- **\$106B future infrastructure gap over the next 30 years**
 - what government is planning to spend v. identified demand.

He Puna Hao Pātiki: 2022 Investment Statement (treasury.govt.nz)

WIP PROJECTIONS 2022 – 2025

The following table shows the pipeline of work as reported through the Workforce Information Platform, this data is sourced from Pacifecon (NZ) Ltd and is in NZ\$M.

FIGURE 32

Year	NZ Total \$M	PER CAPITA
2022	92,810	\$17,941
2023	82,355	\$15,771
2024	54,855	\$10,422
2025	40,076	\$7,450
4Y Total	270,095	

Source: Stats NZ + Analysis

New Zealand – the pipeline for 2022 shows \$92.8B worth of projects – this is compared to our capacity in 2019 and 2020 of under \$33.5B. Our largest step-jump was between 2018 and 2019 where activity grew by just under \$4B – given market feedback on tight labour-market conditions and supply-chain challenges, we would estimate that the next 4-year pipeline of \$270B is the equivalent of just over 7 years' work.

FIGURE 33

Year	Southland	PER CAPITA
2022	851	\$8,112
2023	935	\$8,817
2024	634	\$5,917
2025	707	\$6,529
4Y Total	3,127	

Source: Stats NZ + Analysis

Southland Murihiku – the pipeline for 2022 shows \$0.85B worth of projects – this is compared to our capacity in 2020 of under \$0.6B. Our largest step-jump was between 2018 and 2019 where activity grew by just over \$0.15B – given market feedback on tight labour-market conditions and supply-chain challenges we would estimate that the next 4-year pipeline of \$3.13B is the equivalent of 4 years' work.

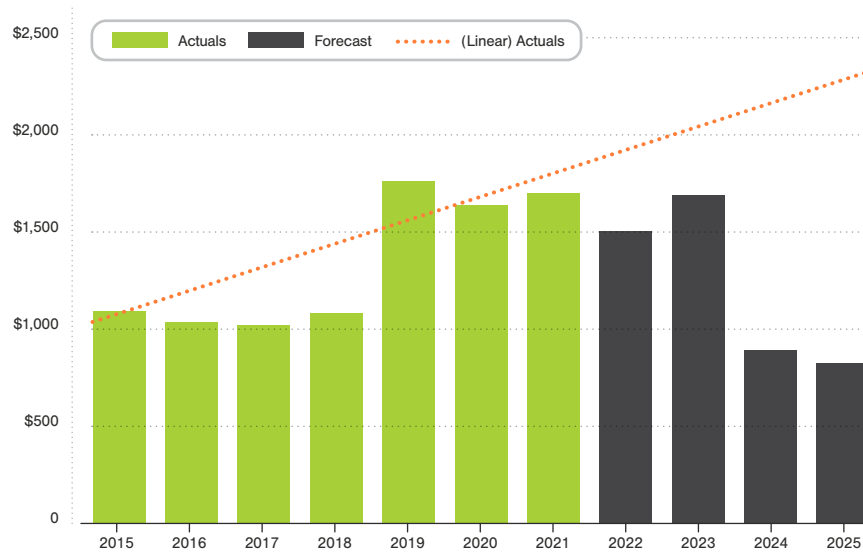
Regardless of the detail, the overall sentiment is that demand for construction will remain high for the foreseeable future. This adds merit to our call to plan and develop our workforce and its capability to the trendline of demand. Should we persist with managing our workforce to the boom – bust economic cycle we will continue to build a backlog of work which will become more expensive to deliver.

SOUTHLAND MURIHIKU HORIZONTAL AND VERTICAL CONSTRUCTION ACTIVITY 2015 – 2025

The graphs below show actual per capita activity and projected activity from 2015 through to 2025 analysed by Horizontal and Vertical Construction categories. We have calculated the 2021 figures as being the average of 2019 and 2020.

We believe that the trendline in the graphs below show the realistic capability of the sector to deliver work based on past actual performance and conditions prevailing for the sector today.

FIGURE 34: HORIZONTAL CONSTRUCTION ACTIVITY PER CAPITA



Source: Stats NZ

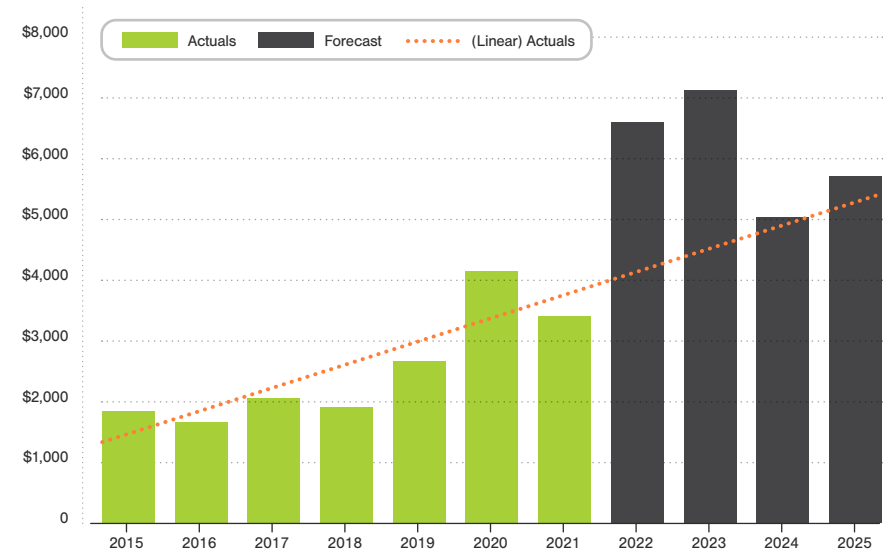
The forecasts shown above the trendline are likely to be pushed out into the future or cancelled.

Our expectation is that cancelled projects will inevitably be replaced with others given the infrastructure gaps referred to earlier.

This table shows the per capita construction spend analysed by the Horizontal and Vertical sectors.

The Horizontal sector experience a consistent demand, whereas demand the Vertical sector almost doubles.

FIGURE 35: VERTICAL CONSTRUCTION ACTIVITY PER CAPITA



Source: Stats NZ

The gap for the Vertical sector is even more pronounced with additional demand of almost \$3,300 per capita in 2022.

Obviously, this is undeliverable hence the call for:

- alternative decision models to assist determining project priority based on the societal outcomes
- a focus on productivity, and the capabilities that requires to achieve over the long term.

**SOUTHLAND MURIHIKU 2022
REGIONAL CONSTRUCTION
WORKFORCE PLANNING
& DEVELOPMENT**

**03.
WORKSHOP
OUTCOMES**



Photo: Contact Energy

03 WORKSHOP OUTCOMES

A series of workshops were held to addressing the key drivers that affect workforce requirements in the construction industry in the region. We recently shared our initial findings of some of the analysis and research and looked at how to view strategic long-term workforce planning in the Construction and Infrastructure sector.

The objective of the workshops was:

Problem Recognition – to gain a regional perspective on the key industry issues for construction and infrastructure for the region

Analysis – to gain an understanding of these issues by looking at the causes, assessing its impact and determining its priority

Problem Solving – Identify solutions and opportunities

Action Plan – by identifying ‘calls to action’ for the region by improving outcomes and gaining local support

Workshop One focused on Barriers/Issues, and this was conducted on 22 March. Workshop Two was focused on Solutions/Opportunities on 29 March.

3.1 Assessment Criteria

Stakeholders from the construction industry, government agencies, apprenticeship organisations and tertiary providers, participated in the regional workshops.

Participants were presented with a range of national issues identified by the Construction Transformation Plan as well as other issues commonly raised in previous workshop and categorised under the following themes. Note, all feedback expressed in this section is from industry. Data has been deliberately kept in its verbatim raw state to retain the authenticity of ideas shared in the workshops.

FIGURE 36

Theme	Barrier/Issues
Attracting future workers (Recruitment)	→ The construction industry isn't attractive enough to compete with other industries
	→ There is a lack of available qualified applicants
	→ The industry doesn't understand what is important to employees
	→ Recruitment of new employees is difficult
	→ Career pathways are not well promoted
Supporting Employees (Retention and Capability)	→ Staff retention rates are generally low
	→ Employees lack the right skills to do the job
	→ There is a shortage of suitable accommodation to rent or buy affecting our ability to grow our workforce
	→ There are labour shortages in most trades and professions
Supporting Employers (Productivity and Capability)	→ Workplace culture and environment fails to engage staff leading to lower productivity and retention rates
	→ New Zealand lacks focus on productivity and the construction industry is no exception
	→ There is a lack of partnership between the industry and schools to develop a future workforce
	→ Industry delays are common
	→ Industry leadership is weakened because of the fragmented nature of the sector
	→ The industry is slow to adopt new methods of construction

The three themes were overarching issues identified from the barriers. Consistent with our initial research, the key issues outlined in regional reports to date centre mainly around retention and recruitment challenges. Within this, other issues such as diversity of gender, ethnicity, and age can be seen as important elements to address workforce shortfalls and to provide a closer alignment with the community the sector is serving. Connectedness also became a common reported theme.

3.2 Feedback

! All feedback expressed in this section is from industry. Data has been deliberately kept in its verbatim raw state to retain the authenticity of ideas shared in the workshops.

Feedback was then provided on the participants level of agreement with these statements for the region. The level of agreement was a four-point scale ranging from Strongly Disagree to Strongly Agree. The average scoring of agreement from three participants is provided below (an additional two participants only attending workshop 2):

FIGURE 37



3.3 Root Cause Analysis

The next step was to conduct a 'Root Cause Analysis' on the top three statements:

- There are skills and labour shortages in most trades and professions
- Industry delays are common
- There is a lack of available "suitable" applicants with right attitude and qualifications

A Root Cause analysis is the process of discovering the root causes of problems to identify appropriate solutions – this was conducted asking a series of 'Whys' to the issue.

Below are some of the discussion points and reasons raised by participants with identified themes in the colour boxes:

FIGURE 38

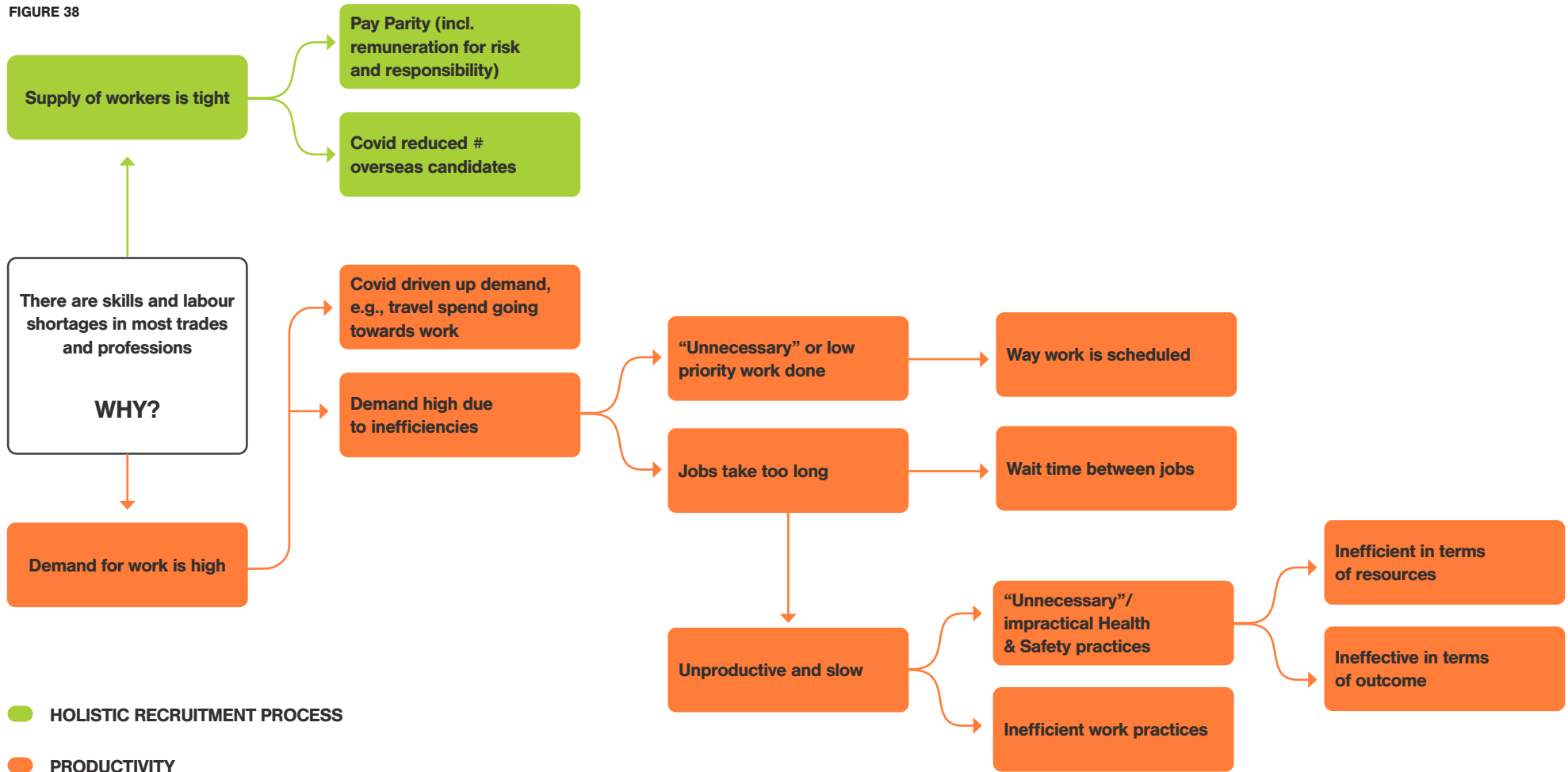


FIGURE 39

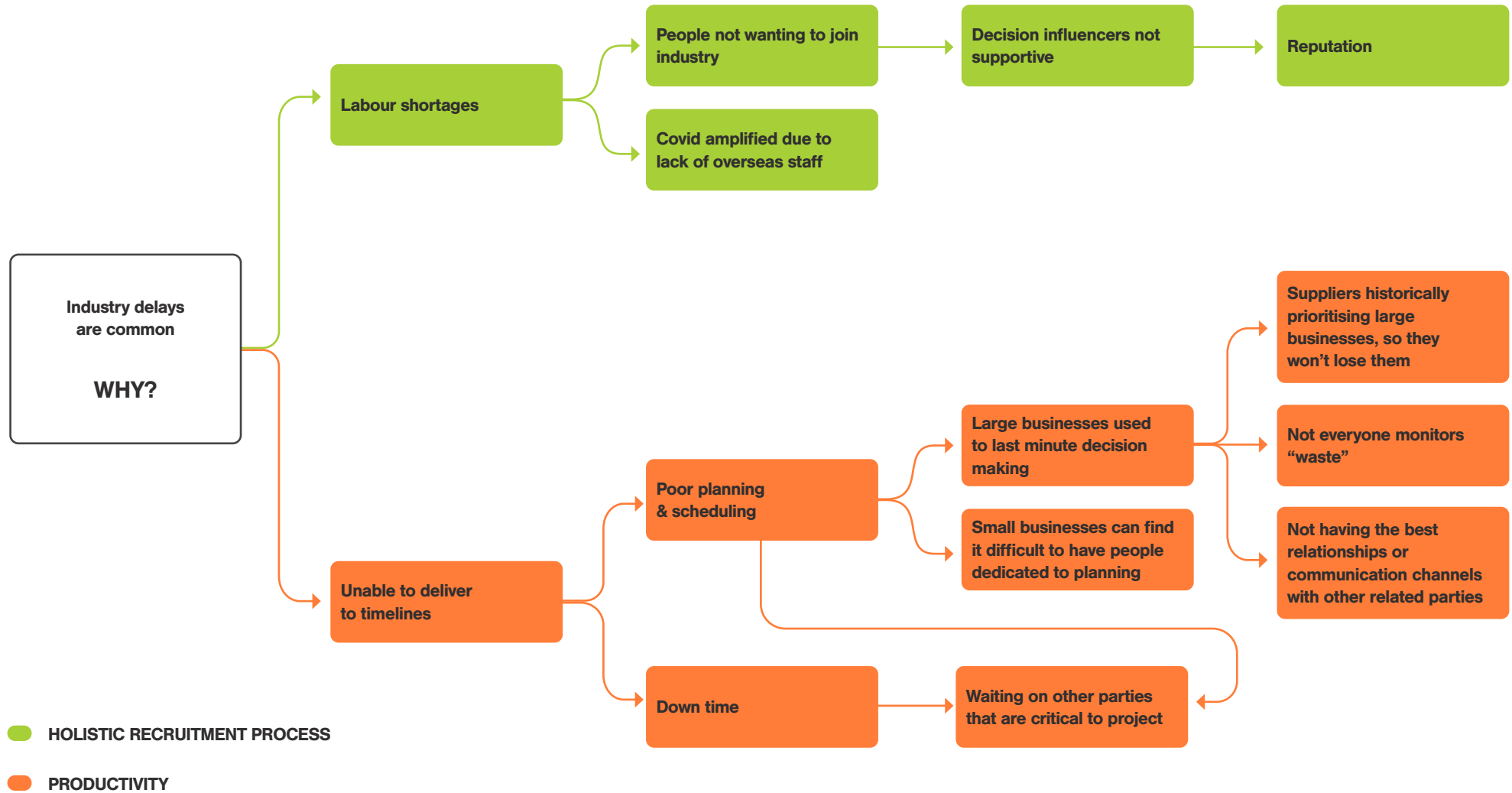
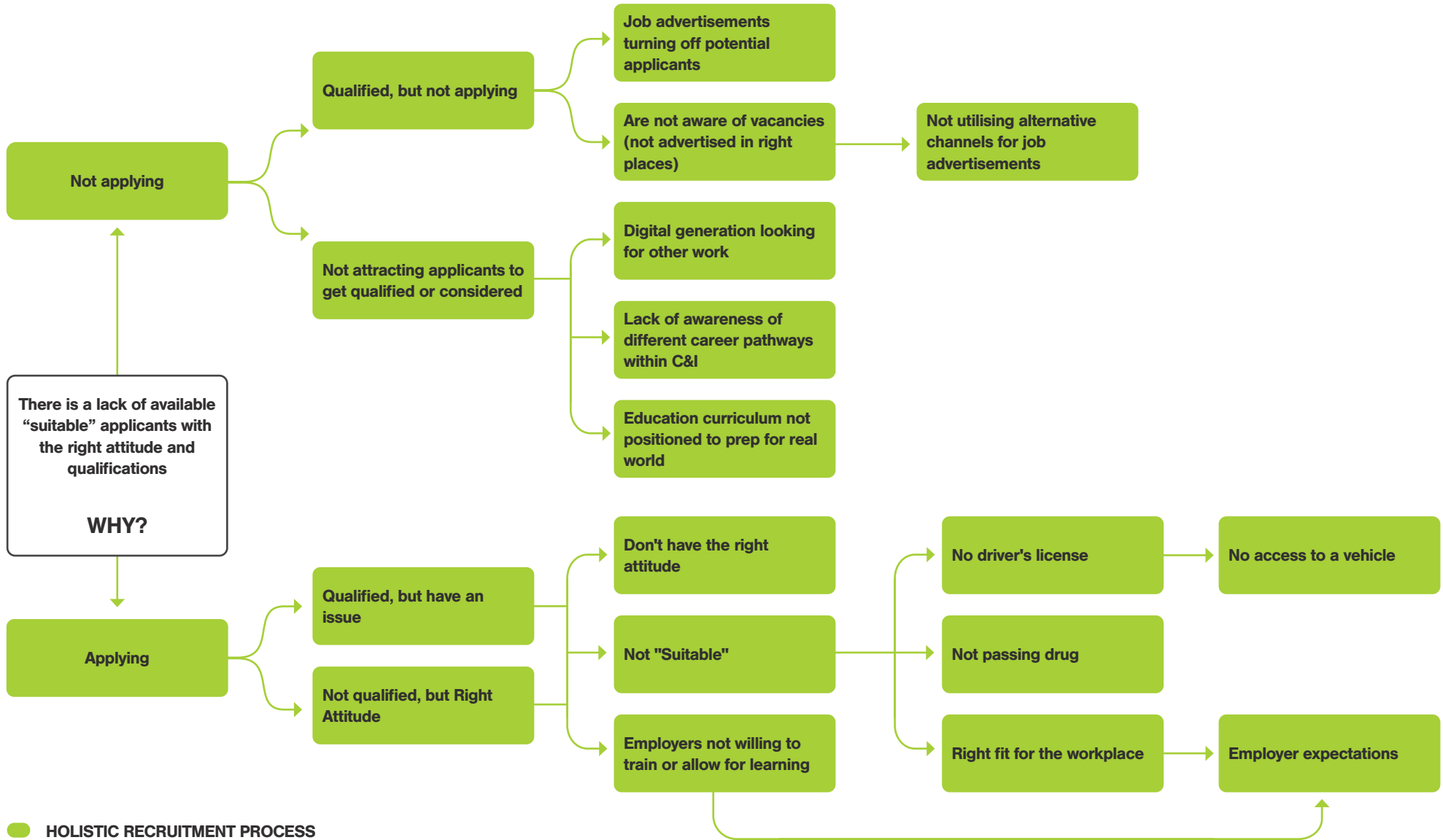


FIGURE 40



HOLISTIC RECRUITMENT PROCESS

3.4 Themes Analysis

Discussions centred around two key connected themes to identify key solutions and action points:

Holistic Recruitment Process – this requires the development of relevant recruiting processes and practices in which to engage with a wider audience

Productivity – this is focused on the benefits associated with increased project efficiency and labour productivity

Southland focused on the theme ‘**Holistic Recruitment Process.**’ Discussions were based on a set of questions:

- Is a recruitment process really an invitation to join us?
- In competing for the right people, what are we really looking for?
- What does a holistic recruitment system look like?
- Who are our audiences?
- What do we really offer?

The discussions were gathered and aligned to our Capability Framework:

FIGURE 41



3.5 Recommendations

We aligned it to this framework with a view to supporting and raising capability for the industry in the region, thus recommending the following solutions under each of the capability areas of focus in the region:

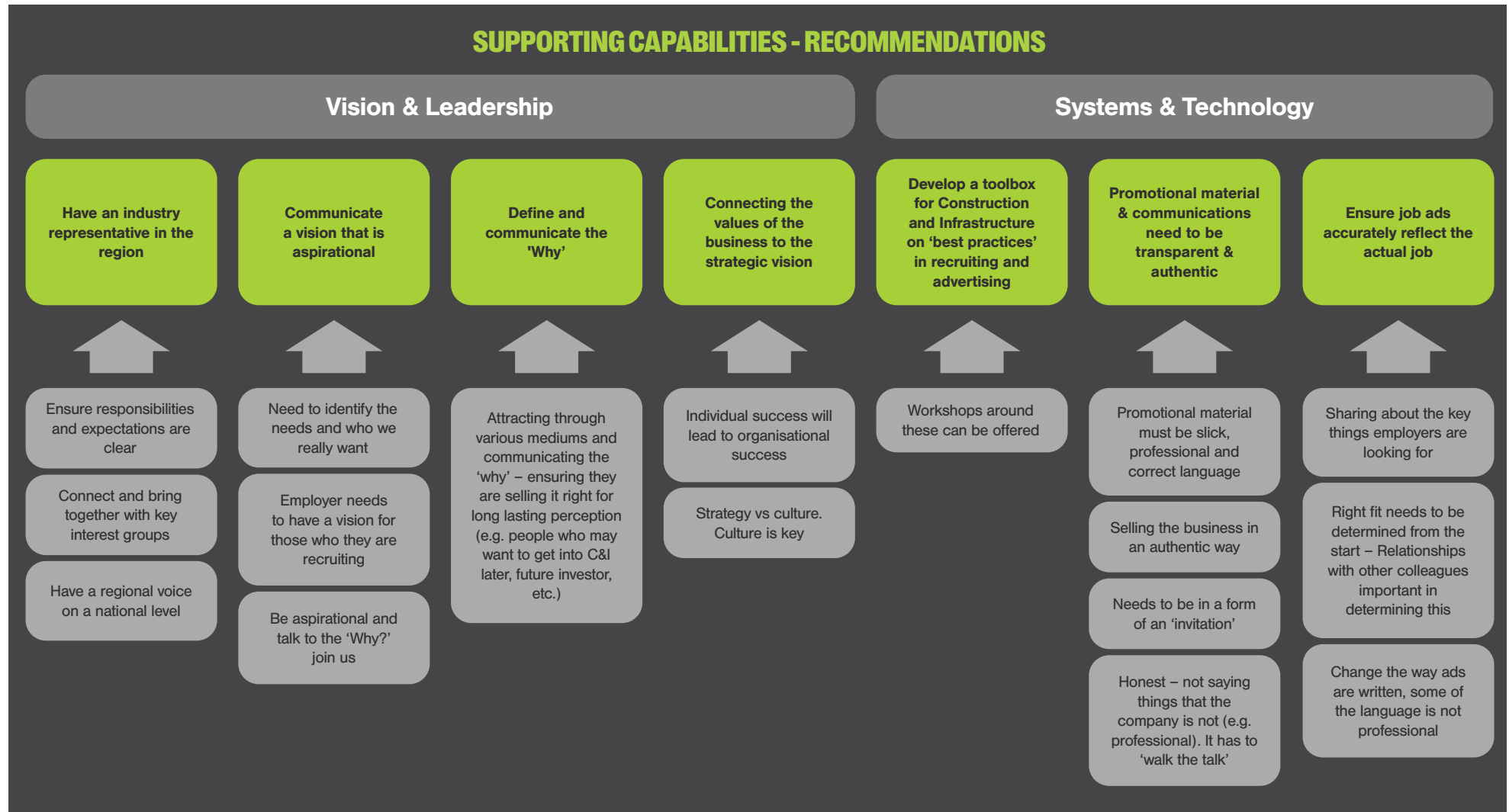
FIGURE 42



Workshop Solutions Analysis

Below is a collection of discussions for each of the action points identified in the Capability Framework:

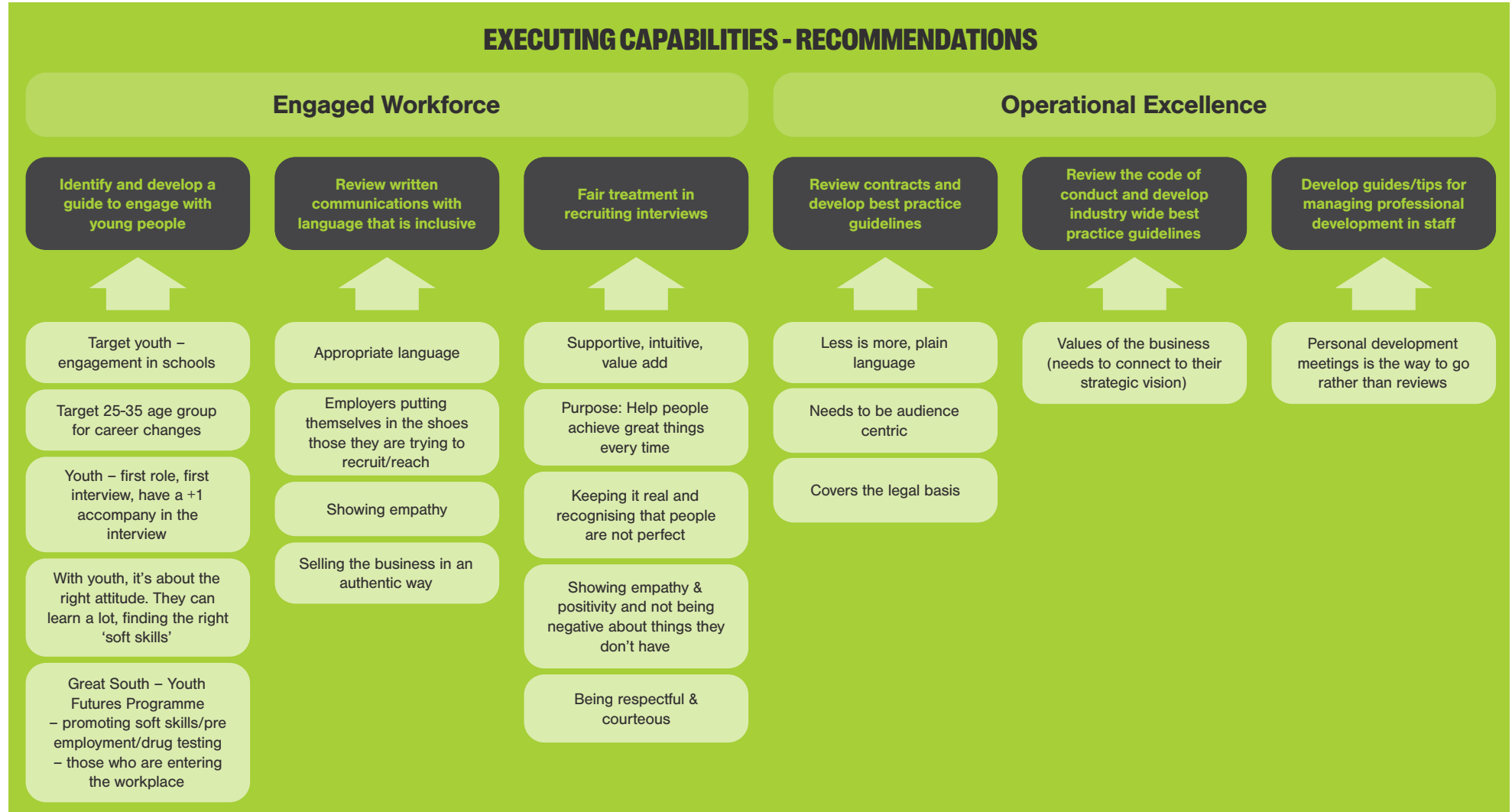
FIGURE 43



Workshop Solutions Analysis

Below is a collection of discussions for each of the action points identified in the Capability Framework:

FIGURE 44



3.6 Calls to Action

The coming months and years will be critical to marketing and recruitment, employer support, worker retention, training and upskilling of the construction workforce needed to meet the level of work planned in Southland. Therefore, it is important that there is a plan for progressing actions identified through this project. Our recommendations for next steps are to:

1. Establish and maintain a regional group with a focus on:

- developing initiatives that support increased industry capabilities and attracting people to construction
- strengthening career pathways and transitions from other industries
- raising the cultural perception of the social value of trade professions
- providing best practice standards that can be shared and applied by industry organisations
- advocating to promote specific issues and/or influence policy.

This group would comprise of industry representatives from within the sector:

- Civil Contractors New Zealand (CCNZ)
- Developers
 - Land Developers
 - Site Development Services
 - Landscape Construction
- Building Companies in Residential and Non-Residential
- Plumbing Services
- Electrical Services
- Painting and Decorating.

This group would be supported by key advisory groups such as:

- The Construction Transformation Accord
- Regional Skills Leadership Group
- Economic Development Agencies
- Waihanga Ara Hau (Construction & Infrastructure) Workforce Development Council
- Business New Zealand/Chamber of Commerce
- Supply chain representation.

2. Identify current solutions that are working effectively and evaluate areas that would support future solutions.

3. Build on future solutions for each focus area and identify key steps that can be implemented immediately, and encourage collaboration across the industry.

**SOUTHLAND MURIHIKU 2022
REGIONAL CONSTRUCTION
WORKFORCE PLANNING
& DEVELOPMENT**

**04.
APPENDICES**



Photo: Connexis

04 APPENDICES

4.1 Key inputs for Workforce Planning metrics

Metrics are a useful way to focus attention on the important elements necessary for success. These vary greatly dependant on the activity and the definition of success.

In our case, our activity is Construction Workforce Planning and Development. Success is a resilient and sustainable construction sector that contributes to build a healthy, affluent democracy.

POPULATION

Change in population impacts the demand for construction activity, however, it is not the only driver of construction demand.

TOTAL WORKFORCE

From this number we can see the proportion engaged in work which produces a monetary return – a higher proportion generally supports a greater distribution of wealth. Typically, greater wealth drives higher demand for construction.

Within the total population there are people who are part of the workforce and those who are not.

Our report does not make a study of this relationship, focusing instead on the primary rather than supplementary drivers.

CONSTRUCTION WORKFORCE

We use this data for determining relationships that provide some insight into the future needs of workforce numbers and productivity.

GROSS DOMESTIC PRODUCT (GDP)

A higher GDP typically reflects a higher standard of living – which drives demand.

$GDP = (Consumer\ Spending) + (Government\ Spending) + (Business\ Capital\ Spending) + (Exports - Imports)$

It represents the economic output of a region or country reflecting the market value of all the products and services created.

CONSTRUCTION GDP

This represents the value created by the construction sector.

GDP PER CAPITA

This measure is used because it factors in population change thereby giving a more accurate view of the likely wealth and standard of living.

GDP divided by the population gives the GDP attributable to each citizen.

CONSTRUCTION GDP PER CAPITA

This number indicates the level of spend on construction on a per person level making for easy comparison with either other regions or countries.

The value created by the construction sector divided by the population.

We use these input metrics to produce our Construction Workforce Planning Metrics:



CWP

CONSTRUCTION WORKER PER 1,000 (WM)

measures our workforce compensating for population change



WM

CONSTRUCTION WORKFORCE PRODUCTIVITY (CWP)

indicator of workforce effectiveness

Our report endeavours to demonstrate how these metrics help us understand, plan, and manage our workforce and the development needs.

NEW ZEALAND CONSTRUCTION ACTIVITY 2015 TO 2020

APPENDIX TABLE 1

NEW ZEALAND SPEND \$M	2015	2016	2017	2018	2019	2020	L3Y av
Sport	56	42	108	151	278	143	1.2%
Residential	10,817	12,862	13,852	14,582	16,412	15,981	96.8%
Health	368	429	213	248	314	401	2.0%
Total Wellbeing	11,241	13,332	14,172	14,980	17,004	16,526	WELLBEING
Wellbeing Share	46.4%	50.8%	52.0%	51.1%	50.9%	49.7%	50.5%
Education	1,103	1,226	1,024	1,030	1,063	1,249	11.2%
Civil	7,370	7,200	6,900	7,600	9,500	9,200	88.4%
Heavy Industry/Energy	18	14	34	35	43	35	0.4%
Total Enablers	8,491	8,441	7,959	8,665	10,606	10,484	ENABLERS
Enablers Share	35.0%	32.2%	29.2%	29.6%	31.7%	31.5%	31.0%
Industrial	1,470	1,367	1,667	2,030	1,896	2,065	33.8%
Commercial	2,386	2,304	2,889	3,009	3,050	3,345	53.0%
Mult Category	638	780	564	615	858	859	13.2%
Total Wealth	4,494	4,450	5,120	5,654	5,803	6,268	WEALTH
Wealth Share	18.6%	17.0%	18.8%	19.3%	17.4%	18.8%	18.5%
Regional Total	24,227	26,223	27,251	29,299	33,413	33,278	31,997
Regional Activity/worker	\$113,157	\$112,689	\$109,399	\$116,775	\$127,079	\$126,567	NZ
Construction Population	214,100	232,700	249,100	250,900	262,930	262,931	L3Y av
Construction Popn share	4.7%	5.0%	5.2%	5.2%	5.3%	5.2%	5.2%
Construction Activity per capita	\$5,307	\$5,622	\$5,716	\$6,029	\$6,761	\$6,599	\$6,463
Horizontal Activity per capita	\$1,614	\$1,544	\$1,447	\$1,564	\$1,922	\$1,824	\$1,770
Vertical Activity per capita	\$3,693	\$4,078	\$4,269	\$4,465	\$4,839	\$4,775	\$4,693
Regional Population	4,564,900	4,664,200	4,767,300	4,859,800	4,941,900	5,042,900	

Source: www.wip.org.nz, Stats NZ & MBIE. Sources: Consents for Vertical and National Construction Pipeline Reports 2015 – 2021 for Horizontal, population NZ Statistics median forecast @ 5.75M by 2035 – Infometrics sourced for 2021 population.

SOUTHLAND MURIHIKU CONSTRUCTION ACTIVITY

This table shows the Southland Murihiku construction history. The right-hand columns compare Southland Murihiku with NZ.

APPENDIX TABLE 2

SOUTHLAND SPEND \$M	2015	2016	2017	2018	2019	2020	L3Y av	NZ
Sport	0	1	0	0	1	3	0.5%	1.2%
Residential	106	96	111	123	162	282	98.0%	96.8%
Health	1	0	0	1	0	7	1.4%	2.0%
Total Wellbeing	107	97	111	125	163	292	WELLBEING	
Wellbeing Share	37.3%	36.2%	36.1%	41.5%	36.3%	49.1%	43.1%	50.5%
Education	6	5	5	5	5	22	6.5%	11.2%
Civil	107	103	102	109	179	169	93.3%	88.4%
Heavy Industry/Energy	1	1	2	0	0	1	0.2%	0.4%
Total Enablers	113	109	109	114	184	191	ENABLERS	
Enablers Share	39.4%	41.0%	35.5%	38.0%	41.0%	32.2%	36.4%	31.0%
Industrial	37	28	65	35	42	37	41.4%	33.8%
Commercial	19	18	16	23	55	59	50.1%	53.0%
Mult Category	11	15	7	3	5	15	8.5%	13.2%
Total Wealth	67	61	87	62	102	111	WEALTH	
Wealth Share	23.4%	22.8%	28.4%	20.5%	22.7%	18.6%	20.4%	18.5%
Regional Total	286	267	307	300	449	594	448	31,997
Regional Activity/worker	\$64,678	\$56,975	\$65,160	\$67,823	\$96,842	\$127,178	SOUTHLAND	NZ
Construction Population	4,428	4,682	4,714	4,428	4,633	4,672	L3Y av	L3Y av
Construction Popn share	4.5%	4.7%	4.7%	4.4%	4.6%	4.5%	4.5%	5.2%
Construction Activity per capita	\$2,931	\$2,695	\$3,075	\$2,988	\$4,416	\$5,780	\$4,395	\$6,463
Horizontal Activity per capita	\$1,091	\$1,037	\$1,021	\$1,082	\$1,762	\$1,641	\$1,495	\$1,770
Vertical Activity per capita	\$1,840	\$1,658	\$2,054	\$1,906	\$2,654	\$4,139	\$2,900	\$4,693
Regional Population	97,700	99,000	99,900	100,500	101,600	102,800		

Source: www.wip.org.nz, Stats NZ & MBIE.

WIP PROJECTIONS 2022 – 2025

The following table shows the pipeline of work as reported through the Workforce Information Platform, this data is sourced from Pacifecon (NZ) Ltd and is in NZ\$M.

NEW ZEALAND

APPENDIX TABLE 3

Year	Residential	Sport	Health	Civil	Heavy Industry / Energy	Education	Industrial	Commercial	Multi Category	NZ Total
2022	35,841	1,141	2,150	16,829	4,154	3,256	3,860	10,438	15,142	92,810
2023	26,872	1,128	1,899	16,022	3,849	1,973	3,268	9,828	17,516	82,355
2024	13,169	796	1,183	14,571	2,964	1,152	2,783	6,576	11,661	54,855
2025	7,363	480	816	13,337	2,590	497	2,395	4,023	8,576	40,076
4Y Total	83,244	3,545	6,047	60,759	13,558	6,878	12,306	30,864	52,895	270,095

Source: www.wip.org.nz

SOUTHLAND MURIHIKU

APPENDIX TABLE 4

Year	Residential	Sport	Health	Civil	Heavy Industry / Energy	Education	Industrial	Commercial	Multi Category	SOUTHLAND
2022	181	8	28	158	13	36	78	194	154	851
2023	61	6	23	179	14	36	177	324	116	935
2024	29	7	10	95	30	20	94	250	98	634
2025	15	3	0	89	261	0	88	169	82	707
4Y Total	286	24	62	522	318	92	437	937	449	3,127

Source: www.wip.org.nz

SOUTHLAND MURIHIKU HORIZONTAL AND VERTICAL CONSTRUCTION ACTIVITY 2015 – 2025

This table shows actual per capita activity and projected activity from 2015 through to 2025 analysed by Horizontal and Vertical Construction categories. We have calculated the 2021 figures as being the average of 2019 and 2020.

APPENDIX TABLE 5

per capita	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HORIZONTAL	\$1,091	\$1,037	\$1,021	\$1,082	\$1,762	\$1,641	\$1,701	\$1,506	\$1,692	\$890	\$825
VERTICAL	\$1,840	\$1,658	\$2,054	\$1,906	\$2,654	\$4,139	\$3,396	\$6,606	\$7,124	\$5,027	\$5,705

Source: www.wip.org.nz, Stats NZ & Analysis 2021 figures are derived from the average of the 2019 and 2020 figures.

2020 WORKFORCE & 2035 PROJECTED WORKFORCE

APPENDIX TABLE 6

ANZSIC Code	SOUTHLAND ANZSIC ANALYSIS for CONSTRUCTION	CONSTRUCTION WORKFORCE NUMBERS			
		2020	2035	CHANGE	% CHANGE
E301	Residential Building	1,042	2,360	1,318	
E302	Non-Residential Building	237	536	299	
E31	Heavy & Civil Engineering Construction	806	1,824	1,019	
E321	Land Development & Site Preparation Services	361	818	457	
E321100	Land Development & Subdivision	32	73	41	
E322100	Concreting Services	71	161	90	
E322200	Bricklaying Services	60	135	75	
E322300	Roofing Services	159	361	202	
E322400	Structural Steel Erection Services	11	24	13	
E323100	Plumbing Services	306	693	387	
E323200	Electrical Services	541	1,225	684	
E323300	Air Conditioning & Heating Services	97	221	123	
E323400	Fire & Security Alarm Installation Services	38	86	48	
E323900	Other Building Installation Services	85	193	108	
E324100	Plastering & Ceiling Services	54	122	68	
E324200	Carpentry Services	90	203	114	
E324300	Tiling & Carpeting Services	73	165	92	
E324400	Painting & Decorating Services	239	541	302	
E324500	Glazing Services	54	123	69	
E329100	Landscape Construction Services	110	250	140	
E329200	Hire of Construction Machinery with Operator	17	40	22	
E329900	Other Construction Services n.e.c.	267	606	338	
E	Regional Construction Workforce	4,751	10,759	6,008	126.4%
All Citizens	Regional population	102,800	116,905	14,105	13.7%

2020 WORKFORCE & 2035 PROJECTED WORKFORCE METRIC

APPENDIX TABLE 7

ANZSIC Code	SOUTHLAND ANZSIC ANALYSIS for CONSTRUCTION	CONSTRUCTION WORKFORCE PER 1000			
		2020	2035	CHANGE	% CHANGE
E301	Residential Building	10.1	20.2	10.1	
E302	Non-Residential Building	2.3	4.6	2.3	
E31	Heavy & Civil Engineering Construction	7.8	15.6	7.8	
E321	Land Development & Site Preparation Services	3.5	7.0	3.5	
E321100	Land Development & Subdivision	0.3	0.6	0.3	
E322100	Concreting Services	0.7	1.4	0.7	
E322200	Bricklaying Services	0.6	1.2	0.6	
E322300	Roofing Services	1.6	3.1	1.5	
E322400	Structural Steel Erection Services	0.1	0.2	0.1	
E323100	Plumbing Services	3.0	5.9	3.0	
E323200	Electrical Services	5.3	10.5	5.2	
E323300	Air Conditioning & Heating Services	0.9	1.9	0.9	
E323400	Fire & Security Alarm Installation Services	0.4	0.7	0.4	
E323900	Other Building Installation Services	0.8	1.7	0.8	
E324100	Plastering & Ceiling Services	0.5	1.0	0.5	
E324200	Carpentry Services	0.9	1.7	0.9	
E324300	Tiling & Carpeting Services	0.7	1.4	0.7	
E324400	Painting & Decorating Services	2.3	4.6	2.3	
E324500	Glazing Services	0.5	1.1	0.5	
E329100	Landscape Construction Services	1.1	2.1	1.1	
E329200	Hire of Construction Machinery with Operator	0.2	0.3	0.2	
E329900	Other Construction Services n.e.c.	2.6	5.2	2.6	
E	Regional Construction Workforce	46.2	92.0	45.8	99.1%
All Citizens	Regional population	102,800	116,905	14,105	13.7%

4.2 Information Sources

APPENDIX TABLE A: LABOUR FORCE SURVEY ADJUSTMENT FACTOR



Source: Stats NZ

Construction population numbers have been sourced from New Statistics ANZSIC reports reconciling to the Household Labour Force Survey (HLFS).

The ANZSIC numbers are for a given year ended March while the HLFS is completed quarterly – we have taken the first quarter numbers and balanced each regional total.

This is done by applying a balancing ratio to the number of geographic units which recognises those who do not record as employees. This second group of personnel consists of employers, self-employed, and business Partners.

For the years 2005, 2008, 2011, 2013, and 2019 we did not balance to the HLFS as the ratio trend indicated a likely inaccuracy in the HLFS result. In these circumstances we have a ratio midway between year n-1 and year n+1.

