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New Zealand skilled labour shortage worst in Asia-Pacific



RICS senior economist Sean Ellison says he was shocked by the extent of the New Zealand construction skills shortage.

New Zealand has the worst labour shortage in Asia Pacific and the Middle East, according to a RICS construction and infrastructure survey.

Workloads in infrastructure and public residential projects are piling up but the skill shortage bottleneck is hurting profit margins as firms aren't able to hire the right people to get the jobs done.

RICS senior economist Sean Ellison says, "84% of New Zealand respondents reported skill shortages as holding back activity. The next nearest country to that was Sri Lanka at about 74%."

"Obviously, developing countries tend to be a bit short of skills because there aren't as many trained professionals. To see a country like New Zealand report this degree of skill shortage is really shocking."

At least a third of respondents reported that every skill was in demand, with a complete shortage across the construction industry. Quantity surveyors, commercial managers and project managers were reported as the most in-demand skills. Skilled tradespeople such as electricians and carpenters are also in high demand.

"That was unique to New Zealand. There were certain occupations that other Asia Pacific countries reported as being in shortage but across the board, shortages reported in New Zealand exceeded anything in APAC or the Middle East," Mr Ellison says.

The skill shortage was putting a squeeze on construction profits despite the building boom, with the compression in profits mainly being felt in Canterbury.

Normally periods of strong demand aren't associated with contractions in profit margins. The survey found the skill shortage wasn't the only factor in play, Mr Ellison pointed at financial constraints, planning and regulation, cost of materials and strong competition as being a drag on activity.

New Zealand was found to be in the top tier of construction workloads but is going to see little change in profit margins over the year despite the strong pipeline of demand. Costs are expected to grow at a faster pace than workloads over the next year.

Workloads on harbours and ports are expected to see the quickest increase over the next year, though 30% of survey participants expect water and utility workloads to see the strongest growth over that time.

RICS' Asia Pacific and Middle East Construction and Infrastructure Survey is a quarterly guide to the trends in the construction and infrastructure markets. This is the first time New Zealand was surveyed.

Government action

New Zealand's labour shortage has been well publicised. The Coalition government announced an attempt to tackle the issue in October, with a plan focusing on using government procurement to increase labour training, establish additional jobs and build careers by requiring construction companies to have a certain number of apprentices to win government contracts.

Construction Minister Jenny Salesa said the plan would “ensure the construction sector can deliver the right people with the right skills to meet our construction needs.”

When the plan was announced industry training authority BCITO chief executive Warren Quin said he gave the government a big tick for trying to solve the problem but thinks it runs deeper than just procurement.

Mr Quin doesn't know where the trainees are going to come from and needs to find a bigger labour pool.

“We're really going to have to diversify. We've got hardly any women on the tools.”