



**Wellington Region Workforce  
Development Plan**

September 2019

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# Wellington Regional Strategy

“The aim of the Wellington Regional Strategy is to build a resilient, diverse economy – one that retains and creates jobs, supports the growth of high value companies and improves the region’s position in relation to the national GDP and national employment”

- Wellington Regional Strategy.



# Summary

Addressing workforce challenges across the Wellington Region will require significant involvement from a range of stakeholders.

## Introduction

The Wellington region has a growing economy, but there is no room for complacency. More needs to be done to ensure prospects for the future remain positive, particularly to address skills shortages in the medium term.

This report has been developed in response to challenges identified by WellingtonNZ and others, and with the desire to maintain a future-focused approach to workforce planning. However, no single organisation or person can solve all of the problems – communities, students, education providers, job-seekers, employers, iwi, government and non-government organisations all have a part to play.

The future of work and the workforce is facing dramatic change driven by technology, globalisation, demographics, social values, and the changing personal expectations of workforce participants.

## Around 42,000 more jobs by 2025

Based on historic trends, around 42,000 new jobs are expected to be created in the Wellington Region between 2018 and 2025. The region's expanding population is the main impetus behind this growth, with public services and other private services likely to experience the greatest job growth rates.

Comparison with other major cities and the rest of New Zealand shows that the Wellington Region's mix of occupations (now and in the future) is unique. The broad range and high prevalence of public service occupations and other private service occupations is a stark contrast to New Zealand's other main centres and indeed to the country overall.

This highlights that Wellington has a "competitive advantage" with relatively more occupations that are highly cognitive and non-routine – meaning they are likely to be enhanced rather than threatened by new technologies.

Nonetheless there are significant challenges in making sure we have the workforce we will need, and ensuring that the economic benefits of employment are enjoyed by all geographic parts of the region and all its people – inclusive growth that doesn't leave any of our people behind.

## Priorities for WellingtonNZ: what it should focus on

We believe there are three key focus areas for WellingtonNZ that should be used as a lens to qualify and prioritise its actions. We have identified these areas in particular as ones where it is perhaps not "best left up to the market" – and therefore appropriate for government intervention.

**The future of work and the workforce is facing dramatic change driven by technology, globalisation, demographics, social values, and the changing personal expectations of workforce participants.**



### **Maintaining the region's competitive advantage**

Wellington enjoys a strong position in creative, technology and knowledge-intensive services. This position should be protected, and promoted, so that the Wellington Region remains ahead of the pack. Technology skills are also seen as a critical enabler for economic growth – and a significant future shortage – with the potential to generate high value, high productivity outcomes. It is recommended therefore that WellingtonNZ prioritise development and retention of technology skills in the region.



### **Making the most of our entire working-age population**

There is a significant potential opportunity to tap into the pool of people, over the age of 15, who are not currently part of the workforce. We believe economic growth needs to be inclusive to be sustainable. While there are undoubtedly challenges to be overcome, inclusive growth must look beyond traditional worker cohorts to source talent and skills, to include not only those officially recognised as unemployed, but also older people, and those who left the workforce to be caregivers but are ready to re-enter. WellingtonNZ can play an important role in supporting employers to tap into this workforce.



### **Making the most of our geography**

Wellington needs to create jobs that can be done outside Wellington City – i.e. enable jobs and work to be done across the region. While Transmission Gully and Let's Get Wellington Moving (once delivered) will help ease traffic congestion and increase capacity, there will always be commuter and housing constraints in Wellington City. WellingtonNZ, as a regional entity, can help identify ways to broaden the geographic worker profile.

## **Specific actions for WellingtonNZ: how it can play a role**

WellingtonNZ is in a natural position to be the workforce development “centre of excellence” for the Wellington Region. Given its focus on economic development, it can act as a catalyst and bridge gaps between different stakeholder groups (e.g. education institutes and business). Our recommendations for WellingtonNZ take into account its current work and role, and the levers and capacity it has to lead change. Actions fall into the following categories.

### **1. Establish regional workforce leadership**

WellingtonNZ already plays an active role, working with local councils, iwi, businesses and other stakeholders to promote economic development in general, and also provides a range of workforce development resources that employers can use to improve their practices. Establishing a governance structure and team to lead and drive performance in the workforce space is a necessary first step to enable effective change.

### **2. Manage and promote relevant research and data**

WellingtonNZ should establish a programme of research and reporting to promote information that helps stakeholders make better decisions and tracks key data and progress over time. Each piece of research is also an opportunity to engage – continuing to advocate for awareness, actions and change.

### **3. Facilitate pathways to employment**

WellingtonNZ is already involved in a number of initiatives relating to career transitions, such as Gateway, Summer of Tech / Biz and the InternQuest Website. The Gateway and Summer of Tech / Biz programmes have both been successful in placing some young people into work placements, but

applications from students far exceed the number of positions that have been generated. Across the region, there are dozens of initiatives – each likely to have similar challenges around measuring effectiveness and gaining traction with employers. WellingtonNZ can play an important role in tracking these to identify gaps and overlaps and also to better understand what works.

#### **4. Drive and challenge stakeholder action**

Surveys we used to develop this report identified employers and education providers as having the most significant role in overcoming barriers to employment. Through our meetings and workshops we believe many employers and education providers already know what they need to do differently, but perhaps struggle to see that through to action. WellingtonNZ should advocate for change and provide support for stakeholders getting to grips with moving from “what” to “how”.

# Introduction

The Wellington Region has a growing economy, but there is no room for complacency. More needs to be done to ensure prospects for the future remain positive, particularly to address skills shortages in the medium term.

## The challenge

The Wellington Region economy can only continue to perform well if jobs are created and filled continually. The Wellington Regional Economic Development Agency (WellingtonNZ) and the Wellington Regional Strategy Office (WRSO) have recognised a number of challenges and pressures facing our regional workforce, which include:

- Industries struggling to find workers with the correct, job-relevant skills
- School leavers and graduates facing difficulty finding jobs in their preferred area of work or specialisation
- Demographic shifts, such as an increasingly aging population, resulting in further economic changes and challenges
- Technological progress changing the way work is being done, and the types of jobs available

This report has been developed in response to these challenges, and with the desire to maintain a future-focused approach to workforce planning. This report is only a starting point and provides recommendations for the near term actions we need to take collectively to help ensure we have the right workforce settings.

No single organisation or person can solve all of the problems – communities, students, education providers, job-seekers, employers, iwi, government and non-government organisations all have a part to play.

## The workforce of the future

The future of work and the workforce is facing dramatic change driven by technology, globalisation, demographics, social values, and the changing personal expectations of workforce participants.

This is not about “we will all be replaced by robots”. It’s about the reality that the workplace is changing – who, where, what and how work is done – and the changes are accelerating. Research<sup>1</sup> has shown that the most likely outcome from the future of work is that AI will augment rather than replace human jobs meaning that the workforce across a range of industries will need to upskill in technical areas.

In order to form a future-focused Workforce Development Plan, we have considered a range of factors, analysis, trends and forecasts. There are many unknowns and unknowables, but there are also clear themes that have

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<sup>1</sup> 2019 Human Capital Trends, From jobs to super jobs

evolved from this work. These provide a great place to start, and we shouldn't let uncertainties stop us from taking action.

### Approach

Our analysis and recommendations have been formed through three key activities.

#### Desktop research and analysis

This has included analysis of a range of data sources, including publicly available data as well as employment forecasts for the region developed by GWRC. We have also reviewed and considered global and New Zealand-wide research on workforce trends and challenges.

#### Survey

We collaborated with WellingtonNZ and BusinessCentral to distribute an online survey ("Workforce Skill Demands in the Wellington Region") to over 2,000 employers across the region. The aim of this survey was to gather a diverse employer lens on barriers to recruitment and skill demands. With a response count of 261 (13%), we were able to draw insights from these responses.

The survey had a large response from micro and small businesses (18% and 44% respectively). This allowed the voice of small employers to be heard, which comprise a large proportion of total businesses in the region. Responses were received from all eight districts, including good representation from the Wairarapa and from Kāpiti Coast. The survey also gathered views from a range of enterprise types and industries, but was skewed towards private enterprises in the technology field (77% of respondents were from private businesses, and 24% were in the field of technology).

#### Workshops and interviews

We held workshops in Wairarapa (Carterton), Kāpiti Coast and central Wellington, with the aim of gathering perspectives from across the sub-regions. We invited local council staff involved in workforce planning or economic development and a range of employers throughout the region. Attendance was between 12 and 25 people for each workshop from a range of industries and organisations. The workshops covered:

- Local trends / initiatives that are likely to affect the future workforce
- Review and discussion of desktop analysis and survey results, through a sub-regional lens
- Brainstorming barriers to recruiting the right skilled workers and potential actions that could overcome these barriers to facilitate inclusive growth
- Brainstorming actions and initiatives that should be stopped / started / continued in order to shape the future workforce of the Wellington Region

To complement these workshops we carried out one-on-one interviews with 30 large public and private employers, as well as representatives of local iwi and Māori business initiatives.

### Acknowledgments

This report would not have been possible without the support and input of the many people who made time to complete surveys, participate in workshops and interviews. In particular, we would like to extend our gratitude to BusinessCentral and the staff of the region's Councils who helped organise invitees and logistics for stakeholder engagement.

Many parties – across central government, local government, iwi and private research & consultancy firms – are actively progressing the regional economic development agenda. Their hard work, reports and data that has been collated have been invaluable for us and we acknowledge the significant contribution these parties are making.

We would also like to thank WellingtonNZ for working with us to develop this report – and taking on the challenge of promoting its findings, and working with others to take action. Last but certainly not least, thanks to the Wellington Regional Strategy Office, whose sponsorship has enabled this work, and GWRC for providing advice as well as significant data and information inputs.

# A snapshot of Wellington today

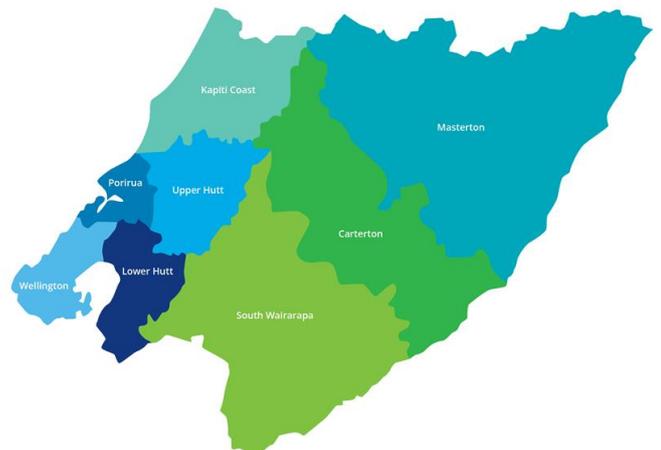
The Wellington Region has a growing economy. While the workforce overall is slanted towards service industries, there is also significant diversity – and therefore different challenges – across the Region.

## Cities and districts in the Wellington Region

The Wellington Region is New Zealand's third largest region by population, after Auckland and Canterbury, with over 520,000 people living within its boundaries. It is governed by eight local councils that represent the territorial authorities within the region, and the Greater Wellington Regional Council which takes a regional perspective.

The region comprises four cities and four districts: Wellington City is currently home to 40% of the region's population, with a further 40% living in the three satellite cities (Porirua, Lower Hutt and Upper Hutt). The urban population across these four cities is around 418,000 making it the second largest urban concentration in New Zealand after Auckland. The remaining 20% of the population is split between the Kāpiti Coast and the Wairarapa, with roughly 10% of the population in each of these two areas.

Total employment across Wellington is close to 300,000. Wellington City employs almost 60% of the workforce, with many commuting into the CBD daily from Wellington's suburbs, the satellite cities and further afield. A further 30% are employed in the other three cities, while Kāpiti Coast employs just over 5% of the region's workforce, as does the Wairarapa.



## Iwi

There are nine iwi whose interests overlap with the Wellington Region:

- Muaūpoko
- Ngāti Kahungunu
- Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua
- Ngāti Raukawa ki te Tonga
- Ngāti Toa Rangatira
- Rangitāne
- Taranaki Whānui ki te Upoko o te Ika
- Te Atiawa (Wellington)
- Te Atiawa ki Whakarongotai

Only around 16%<sup>2</sup> of Māori in the region are affiliated with local iwi – i.e. the vast majority affiliate with iwi in other parts of Aotearoa. This creates particular challenges when it comes to delivering on the objective that “no-one is left behind” since there are no organisations specifically focused on workforce development for these *matawaka* (Maori not affiliated with local iwi, or indeed the Pasifika community), noting that people of Māori and Pacific descent have a significantly larger over-representation in unemployment figures.

Three iwi have settled with the Government in relation to historic breaches of te Tiriti o Waitangi, and Ngāti Kahungunu ki Wairarapa - Tāmaki Nui ā Rua initialled a Deed of Settlement with the Crown in 2018.

### Regional economy

Holding 13.6% of New Zealand’s total GDP, Wellington has the second highest GDP per capita of all regions in the country, trailing only petro-carbon rich Taranaki. Nearly half of the region’s GDP is attributed to Other Private Services<sup>3</sup>, and a further 20% to Public services.

Wellington has experienced GDP growth year-on-year since 2012. However, annual GDP growth has consistently been lower than the national average – other regions are catching up. This is a worrying trend, and emphasises the need for a coordinated approach to workforce development.

### Overview of the labour market

Wellington’s industry make-up is different to the rest of the country. With relatively few primary sector businesses, the contribution from this sector is less than the New Zealand average, and the contribution from knowledge-intensive industries and public services is greater. Wellington lends itself to knowledge-intensive production with the most degree-qualified employees in the country<sup>4</sup>, and over half of the workforce employed in knowledge-intensive sectors<sup>5</sup>. Two thirds of Wellington’s workforce are employed in its two largest industries:

- **Other Private Services**, which includes professional, scientific & tech, transport, finance, IT, insurance, and property services
- **Public Services**, which encompasses central and local government, health and social services, and education

Of the remaining third of the workforce, the largest employment industry is wholesale and retail trade (trade), followed by construction, accommodation and food services, and then manufacturing. Primary and utilities are the region’s two smallest industries by employment.

### Distribution of employment, labour and population

Wellington City draws in labour from across the region – its total number of jobs (171,800) is close to its total population 218,300. This can be seen in the number of people who commute - on average, nearly 45,000 come into Wellington City daily - and provides significant infrastructure challenges:

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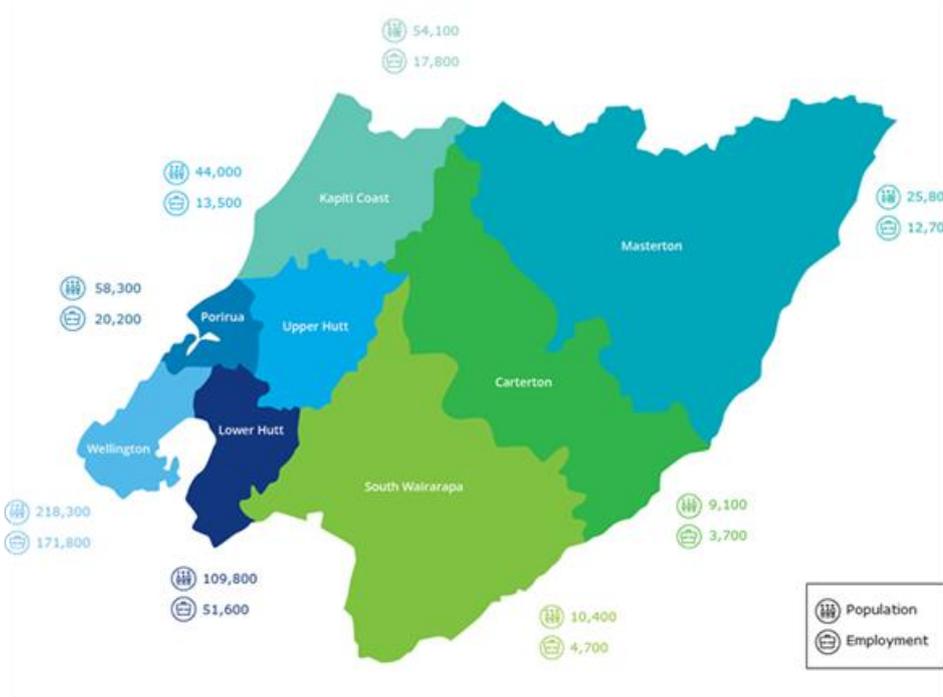
<sup>2</sup> Māori Economy in the Greater Wellington Region, 30 March 2018, berl

<sup>3</sup> Per New Zealand Standard Industry Output Categories, Other Private Services are those private sector services which are NOT Primary, Mining, Manufacturing, Utilities, Wholesale/Retail Trade, or Construction.

<sup>4</sup> Business Environment, Wellington City Council. Retrieved from <https://www.wellingtonnz.com/business/business-environment>

<sup>5</sup> New Zealand Trade and Enterprise (2016). Wellington Investment Profile, December 2016

Wellington City cannot practically provide accommodation for all those who work there, so transport capacity needs to cater for the volume of commuters.



At 4.5% in March 2019, the region’s unemployment rate is slightly higher than the 4.2% average for New Zealand as a whole.<sup>6</sup> This is a particular challenge in Porirua and parts of the Wairarapa, which have a higher unemployment rate than the region as a whole. Similarly, these areas have a significantly higher *not in education, employment or training (NEET)* rate for 15-24 year olds than the rest of the region.

Of the approximately 420,000 people over 15 years’ age in the region, just over 125,000 are not employed. Only around 14,000 are officially recorded as unemployed, which means the vast majority are not in the workforce for other reasons (including those who view themselves as retired). Of those not employed:

- 59% are female
- 41% are male
- 26% are 15 – 24 years old
- 24% are 25 – 54 years old
- 50% are 55+ years old
- 69% are of European descent
- 12% are of Maori descent
- 7% are of Pacific descent
- 13% are of Asian descent

<sup>6</sup> Statistics New Zealand, Labour Force Status by Age Group by Region Council (Annual-Mar), 2019

Certain demographics are over-represented in the group, compared to their proportion of the overall population. In particular:

- **Females** are over-represented. While females make up 52% of all those over 15 years old, they are 59% of those not in paid employment, indicating they are much more likely than males to be out of the workforce.
- Those **under the age of 25** and **over the age of 54** make up under half of people over 15 years, but combined make up three quarters of those not employed. Those over the age of 54 are significantly under-represented in unemployment figures, while those under the age of 25 are significantly over-represented in unemployment figures.
- People of **Māori, Pacific** and **Asian** descent are all over-represented in unemployment. However, it is notable that people of Māori and Pacific descent have a significantly larger over-representation in unemployment figures.

What this tells us is that there is a very large pool of untapped potential labour in the Wellington region. It may seem obvious, but it bears emphasising that a successful workforce strategy must find ways to tap into these pools of underutilised labour: women, older people, and young people of Māori, and Pacific descent in particular; even if doing so will require significant changes to current approaches. Continuing to use the same approach will produce the same result, and this is not something that the region can afford.

Employment has grown at a higher rate than New Zealand's overall employment growth in the past two years. However, Wellington's employment growth has historically been less than that of the country overall. Average employment growth over the past 10 years in Wellington was 0.9% per annum, less than the 1.3% average for New Zealand overall.

### Recent migration and population growth

There is limited recent and detailed information about migration. Estimates for the region's net migration for 2016 and 2018 were each approximately 5,000<sup>7</sup>. About 1,000 of these are thought to be domestic migrants. Overall population growth (consisting both of net migration and net natural growth) fluctuated between about 7,500 and 9,000 in each year.

Wellington's population grew by an average of 1.4% per year over the last five years. This is slightly lower than the country's overall growth of 1.9% over the same period – however the national average is skewed by Auckland's high growth of 2.6%.

### Education

The Wellington population is generally well-educated. As at 2016, school students outperformed the national total for percentage of students at or above expected reading, writing and maths levels. Similarly, the region outperforms the nation for NCEA achievement at all levels.

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<sup>7</sup> Infometrics Wellington Regional Profile

In the last census, Wellington came out as the most highly educated region in the country, with 28% of the workforce holding a Bachelor’s degree or higher, compared with 20% for New Zealand as a whole.<sup>8</sup>

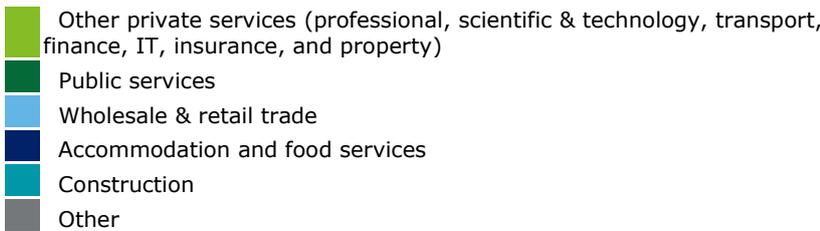
**Strengths and challenges of a diverse region**

Each of Wellington’s eight districts has unique characteristics in terms of the nature of businesses that thrive there, housing and infrastructure, and current and future skill requirements. It is important to understand differences across the region and their potential workforce implications.

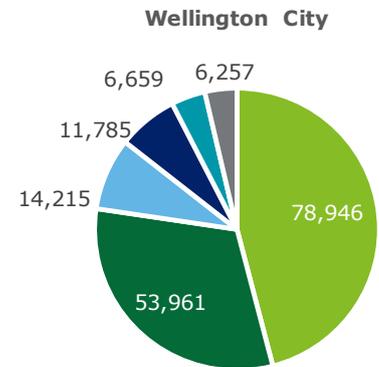
As already highlighted, population and employment are quite different across the districts. Overall, the region’s population has grown by 50,000 since 2010, with half that growth in Wellington City. Wellington City has also had the lion’s share of employment growth with about 25,000 new jobs since 2010.

**Key features of the districts**

In the charts below, the relative size of the region’s major industries has been provided for each city and district:

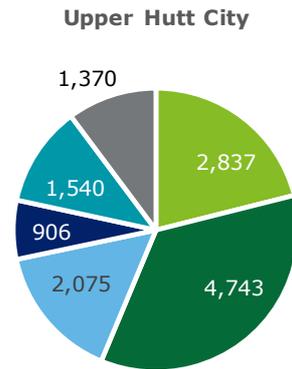
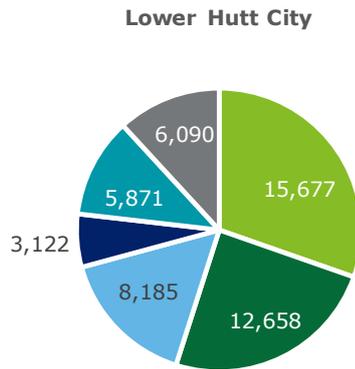
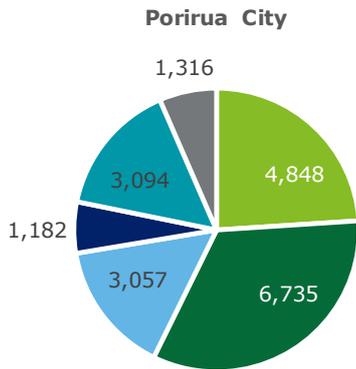


**Wellington City** has just over 170,000 jobs. Almost half of the city’s workforce is employed in Other Private Services, and another third in public services, giving Wellington City the largest proportion of workers in knowledge-intensive industries across the region. With a large workforce made up of both residents and commuters, and a growing visitor economy, trade, and accommodation and food services sectors combined employ 15% of the city’s workforce, equating to 26,000 workers. The proportion of employees in construction and manufacturing is lower in Wellington City compared to the other sub-regions, as these are outweighed by the two largest industries by employment. High rents – both commercial and residential – have also moved industrial areas further away from the CBD, leading to higher levels of employment in these industries in the nearby areas.



With about 85,000 in the workforce, the three outer cities – **Porirua, Lower Hutt and Upper Hutt** – employ about half as many people as Wellington City. They proportionally employ a lot more in the trade, construction and manufacturing sectors than Wellington City.

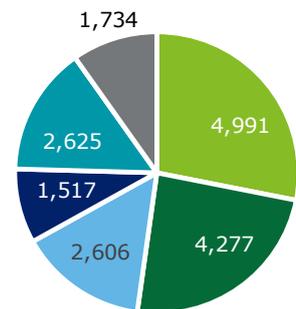
<sup>8</sup> Statistics New Zealand, *2013 Census QuickStats about a place: Wellington Region*, <[http://archive.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-a-place.aspx?request\\_value=14322&tabname=Qualifications](http://archive.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-about-a-place.aspx?request_value=14322&tabname=Qualifications)>



Just over half of the workforce across these three cities is employed in other private services and public services, another 20% are employed in the construction and manufacturing sectors, and 16% in trade. Manufacturing is focused around non-primary manufacturing, with about two thirds of employees employed in this sub-sector. Trade is particularly focused around wholesale trade, with a third of employees employed in this sub-sector, the highest in the region.

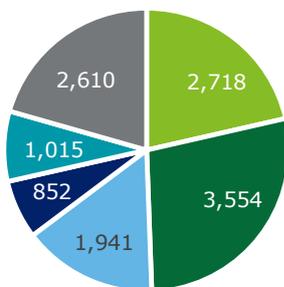
The **Kāpiti Coast** has a workforce of almost 18,000, and also has about half of its employment in other private services and public services. Following these, the construction sector employs the most people in the district, with 15% of the workforce employed in the sector. This give the Kāpiti Coast the highest proportion of employees in construction. Construction employment is focused around construction services, with over two thirds of employees employed in this sub-sector – the highest of all sub-regions. Trade and accommodation & food services employ a further quarter of the workforce.

**Kapiti Coast**

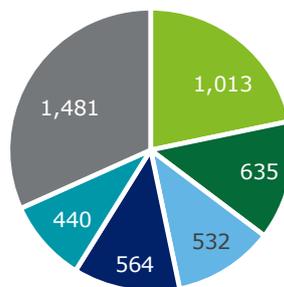


The **Wairarapa**, which includes Masterton District, South Wairarapa District and Carterton District, employs around 21,000 people, and is the only sub-region of Wellington with less than half its workforce employed in other private services and public services.

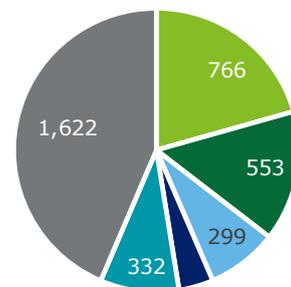
**Masterton District**



**South Wairarapa District**



**Carterton District**



While those are still the two largest industries by employment, primary is also significant in the area, employing 17% of the workforce. South Wairarapa in particular has significant primary employment, with the industry

employing a quarter of its workforce, and being the largest industry by employment of the district.

Within primary, employment is largest in sheep, beef cattle & grain farming, followed by agriculture support services & hunting, and dairy cattle farming. The Wairarapa alone employs two thirds of all primary employees across the region.

It also has the highest proportion of employees in manufacturing, with one in ten employed in the industry. Leveraging its focus in primary production, manufacturing is focused around primary manufacturing, with about two thirds of manufacturing employees employed in this subsector. This differentiates the key manufacturing hubs of the region – the Wairarapa and three outer cities – by the type of manufacturing they focus on. Carterton in particular is a key manufacturing hub in the area, with a quarter of its workforce employed in the sector. Trade, construction and accommodation & food services employ a reasonable amount in the Wairarapa, making up the remaining 30% of the workforce.

# The Wellington of tomorrow

Although the future is inherently uncertain, we can look at data, forecasts and trends to identify likely challenges – and hence what sort of responses we need to put in place.

The future of work is inherently uncertain and difficult to predict. Existing and emerging in-demand industry sectors can give us a good idea of what the future might look like for the Wellington Region. Such current and backward looking analysis underpins the forecasts we have used in this section of the report. But the future of work is also facing dramatic change driven by technology, globalisation, demographics, social values, and the changing personal expectations of workforce participants. The impacts of these disruptive trends are much more difficult to quantify, particularly at a regional or district council level.

## **But we can look at a possible scenario**

Through examining past and current trends, we have developed a scenario of what the future could look like for the Wellington Region. The sources used include primary and secondary data sources such as:

- Datasets, including employment forecasts by industry and sub-region from Greater Wellington Regional Council (based on Infometrics Wellington Regional Economic Profile)
- Analysis on changing demographics of the Wellington region
- Analysis on the impact and role of technology on different occupations and industries
- A survey sent to small to medium businesses around the region on skill shortages
- A number of large employer interviews of employers around Wellington City
- Three workshops with employers, that covered each of the four sub-regions

Combined, these give us insight into each industry's future employment needs, the changing nature of roles, and potential skills gaps that could arise.

## **Around 42,000 more jobs by 2025**

Based on historic trends, around 42,000 new jobs are expected to be created in the Wellington Region between 2018 and 2025. The region's expanding population is the main impetus behind this growth, with public services and other private services experiencing the highest level of job growth over this period.

Wellington's four cities are set to lead the charge on employment growth, particularly the three outer cities in the medium term. As employment in Wellington City continues to grow, the city simply does not have the

residential accommodation for the influx to both work and live within its boundaries. In turn this leads to population growth in its most easily accessible nearby urban areas. As the residential population increases in these centres, they spend in the local economies and require more services. To support this spend and service demand, an increase in employment is required.

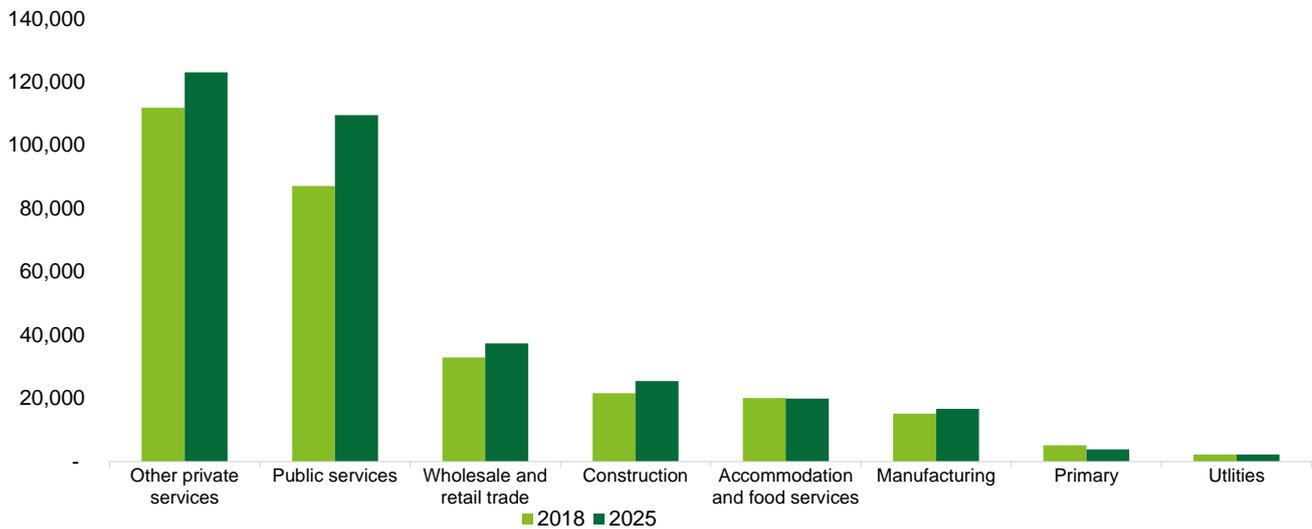
**Distribution of growth and industries**

The distribution of growth across districts within the Wellington Region has implications for the needs of employers. Employers are already experiencing difficulty recruiting the right people, or finding people with the right skills and qualifications. Employers expect many of these challenges to continue over the medium term. In addition there are a number of slow moving but nevertheless important trends taking place that will change the way we work, what we work on and who is working.

Combined, the three outer cities – Porirua, Lower Hutt and Upper Hutt – are expected to account for half of the population growth in the region to 2025. This flows through to job growth: Upper Hutt City is expected to see the strongest growth in percentage terms, with over 3,000 new jobs expected in the city by 2025. Porirua and Lower Hutt are expected to experience similar growth, with increases of nearly 4,000 and over 8,000 jobs respectively. Combined with Wellington City, the four cities are expected to account for over 90% of job growth in the Wellington Region by 2025.

**Growth across industries**

Forecast total employment by broad industry in Wellington Region, 2018 and 2025



Source: Deloitte analysis of GWRC data

Other private services currently employs the highest job count of all industries across Wellington, with more than one in every three employees. It is expected to provide around 11,000 additional jobs across all parts of the region. Just over 50% of these jobs will be in Wellington City.

Subindustries within this industry group include Administrative and Support Services roles, Finance, through to Property Operation and Hiring Services. New jobs within Professional, Scientific, and Technical services (Professional)

are expected to account for 40% of new jobs within this industry group, with the majority of those in Wellington City.

As the base of the New Zealand Government, the Wellington Region has always had significant public services employment. Public services employs another third of the region's workforce, and includes Central Government Administration Defence & Safety (Central Government), Local Government Administration (Local Government), Healthcare & Social Assistance (Health & Social) and Education & Training (Education).

Public services growth is expected to account for the largest increase in jobs in the medium term, with over 22,000 new jobs by 2025. All sub-sectors of Public Services are expected to see high employment growth. Around 10,000 new jobs are expected in Central Government, 7,000 in Education and 5,000 in Health & Social. Growth in Central Government employment is likely to be mostly in Wellington, while the Education and Health & Social employment growth is spread across the region, somewhat relative to population share.

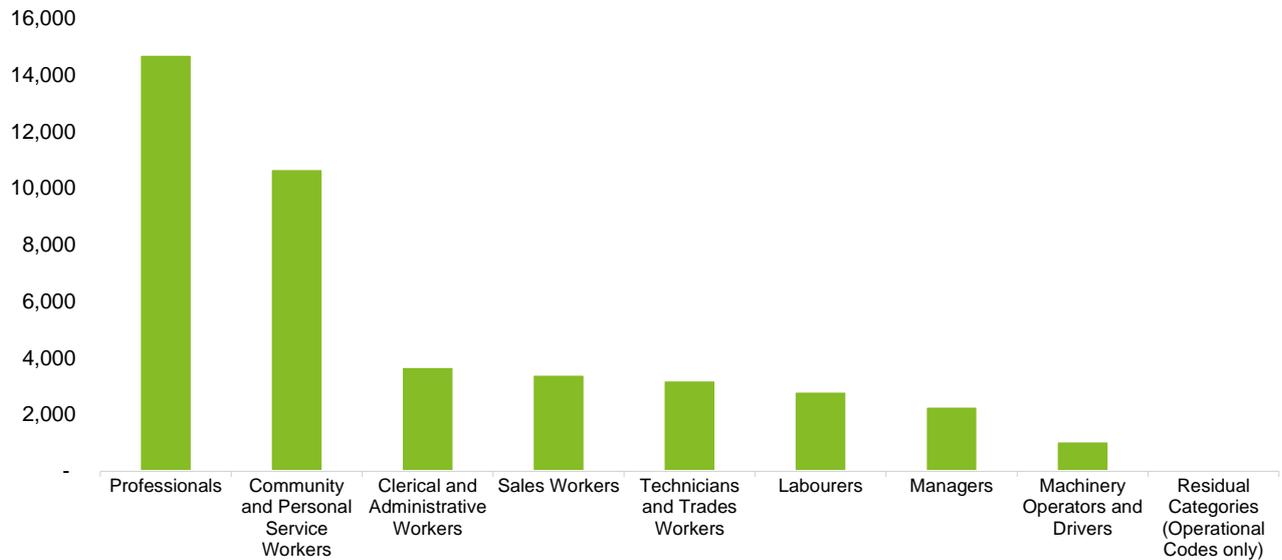
After public services and other private services, Wholesale and Retail Trade (Trade) is expected to account for the most new jobs in the short term, with 4,500 new jobs across the region. Wholesale Trade employment is driving this growth with 80% of the new jobs.

While three quarters of trade employment growth is set for Wellington and Lower Hutt City, growth in Upper Hutt City and Carterton District is expected to be prominent, as the two fastest growing sub-regions. Wholesale Trade employment is expected to lead the growth in Wellington City, Lower Hutt City and Upper Hutt City. Carterton, on the other hand, is expected to see the most employment growth in Other Store & Non Store Retailing moving forward.

Manufacturing job growth is not currently significant for Wellington City, only accounting for about 5% of new jobs in the short term. However, the variability among sub-regions is interesting. Wellington's largest manufacturing employer sub-regions – Lower Hutt City and Wellington City – are expected to have reasonable job growth, with almost 1,500 new jobs in the short term. This accounts for 90% of the region's expected manufacturing job growth. However, while Upper Hutt City and Masterton District are expected to see reasonable relative growth, Carterton, Kāpiti Coast and Porirua City may all see small reductions in manufacturing jobs in the short-term.

#### **High demand for professionals, community services workers**

Professionals, community personal service workers, and clerical and administrative service workers are roles which are expected to be in demand over the six years to 2025. This demand reflects the high concentration of people working in professional services and public sector industries.

**Growth in occupation group – 2018 to 2025**

Source: Deloitte analysis of GWRC data

Professional occupations are generally knowledge intensive, requiring a high level of skill and education. A wide range of roles are included within this category, ranging from accountants and scientists to graphic designers and educators. In Wellington Region, fast growing occupations between 2018 and 2025 include education professionals, design, engineering, science and transport professionals, and business, human resources and marketing professionals. Community and personal service workers is another high growth occupation group for Wellington Region. High growth occupations within this category includes health workers, aged and early childhood carers, police, and other public safety workers, among others. These roles largely reflect the growing population in the region.

The distribution of growth across districts within the Wellington Region has implications for the needs of employers. Employers are already experiencing difficulty recruiting the right people, or finding people with the right skills and qualifications. Employers expect many of these challenges to continue over the medium term. In addition there are a number of slow moving but nevertheless important trends taking place that will change the way we work, what we work on and who is working.

### Qualifications and skills needed to fill the new jobs

#### Qualifications to meet employment needs

Analysis of occupations reveals that there is a divergence of job opportunities available to Wellington Region's residents that include two broad groups of jobs:

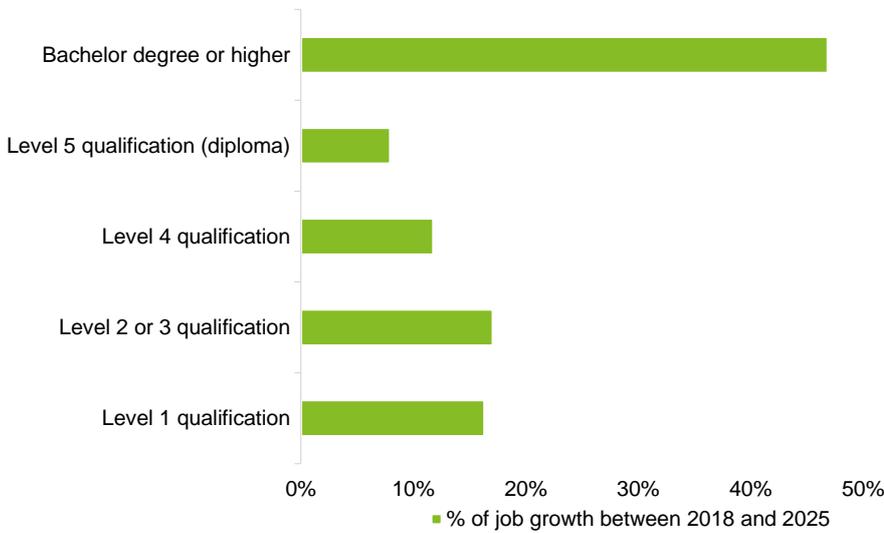
- High-skilled, high-paying jobs requiring education at the Bachelor's degree level or higher
- Low-skilled jobs that require little post-secondary education and do not offer very high wages

This divergence highlights the difficulty of creating regional pathways that align with industry workforce requirements while also leading to careers for

employees. It also highlights the limited opportunities for jobs at the mid-skill level.

The following graph presents the estimated qualification requirements for the forecast job growth. Many of the jobs in public and professional services require a bachelor degree level qualification (or higher), and tend to be higher-paying. In contrast, other moderately growing industries such as manufacturing, retail trade and tourism & hospitality have lower education requirements (levels 1-3 qualification), but are comparatively low-paying.

**Qualification requirement for new job growth between 2018 and 2025**



Source: Deloitte analysis

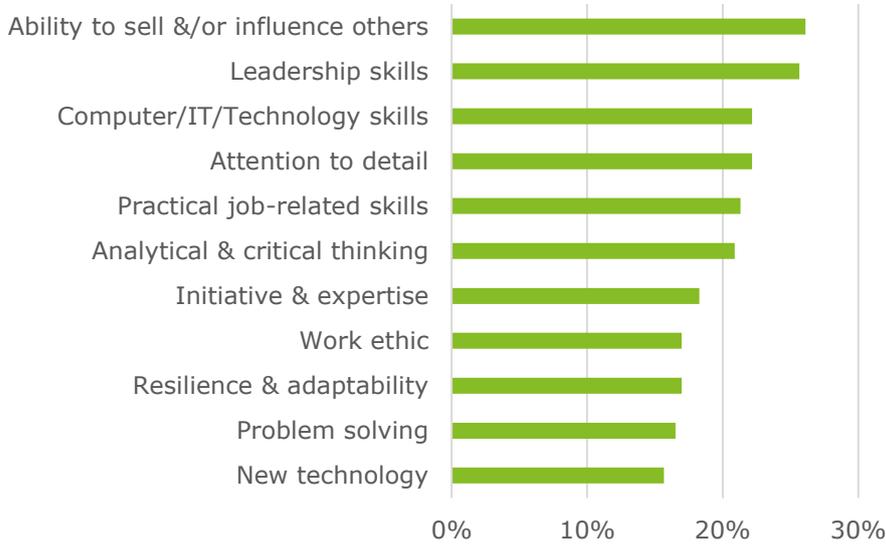
Mid-skill level jobs requiring a diploma level or other post-secondary education less than a Bachelor’s degree will also be an important part of growth. Roles included are protective service workers, administrative workers, construction trades workers, receptionists, and road and rail drivers. Together these mid-level roles make up 20% of future growth. Although this percentage implies reasonable future mid-skill opportunities, many jobs require moderate to long-term on the job training or multiple years of experience – which limits opportunities to rapidly acquire or grow such experience.

**Knowledge and skills to meet employment needs**

Results from a survey sent to employers show that the ability to sell and influence others, leadership skills, and computer, IT, and technology skills are the top three skills that employers have difficulty recruiting for.

“Too few individuals with the required skills and capabilities required” was cited as the main reason for difficulty recruiting, at 70% of all responses. Just under a third of respondents thought that qualification mismatch was behind recruitment difficulty. Culture fit, and upwards pressure (from a number of sources, e.g. in Central Government, competition with contractor rates) on market pay rates creating an affordability gap, were also common reasons cited for difficulty in recruiting.

Responses to **“Which of the following skills or capabilities do you find the most difficult to recruit for in the Wellington Region?”** (10 highest selected by %)



Source: Deloitte analysis

The survey also questioned future skill needs. New technology and computer/IT/Technology skills are seen by survey respondents as the most pressing skills to be developed in the workforce, with close to 35% of respondents choosing these. Leadership skills and initiative & expertise were the two highest ranked soft skills employers thought the workforce should develop in the future.

Responses to **“Which skills do you think will become more in demand in the Wellington Region?”** (10 highest selected by %)



Source: Deloitte analysis

**Both soft and technical skills are important for the future workforce**

Analysis<sup>9</sup> of the skills required for the forecast future jobs above largely aligns with what employers are expecting, in particular the growing importance of soft skills. Soft skills are generally defined as personal attributes that enable a person to interact effectively with others – they are a combination of people skills, social skills, communication and emotional intelligence attributes.

As technology, globalisation and demographic shifts continue to shape how businesses compete, the importance of soft skills will grow. A broad mix of skills is important for business success, with businesses with more highly skilled staff having higher rates of innovation and productivity.

Reflecting the high proportion of service based jobs in the Wellington Region, over 70% of occupations are soft skill intensive<sup>10</sup>. Close to 80% of new job growth to 2025 is expected to be in these soft skill intensive occupations. This is particularly relevant for Wellington City, given its high proportion of professional services and government sector jobs.

The proportions of current and forecast occupations which are soft skill intensive and less soft skill intensive are tabulated below:

% of occupations that are...	2018	2025	New Jobs
Soft skills intensive	73%	74%	79%
Less soft skills intensive	27%	26%	21%

Source: Deloitte analysis

The most important soft skills for occupations within other private services and public services include:

- Integrity and dependency
- Reading and writing
- Social skills and communication
- Reasoning
- Cooperating with people

For comparison, the key skills for labourers and machinery operators include:

- Operation of machinery
- Physical strength
- Vision
- Following and giving instruction

Technologies used in roles within other private services, particularly for the professional occupations, are only taught in specialised tertiary courses, and include database tools and advanced analytical software. These skills are often taught on-the-job as required. Other hot technologies demanded by future professions include medical software, web platform development software, object or component orientated software.

<sup>9</sup> This analysis uses occupation forecasts, along with skills identified in the U.S Department of Labour's O\*net data, which surveyed skills and attributes required for a large number of occupations.

<sup>10</sup> Methodology based on: Deloitte Access Economics (2017), *Soft skills for business success*, For DeakinCo

Subject choices in secondary school appear to reflect these changes in employer requirements rather slowly. In 2018, only 4,000 students were enrolled in computer science/programming for at least 20 hours during the year. Computer studies had 11,000 secondary students enrolled and is well below the 250,000 students taking a language over the same period. Other core technical courses such as science and mathematics made up 30% of enrolments across all secondary school years, increasing to 34% in years 12 and 13.<sup>11</sup>

### The changing nature of roles

There are a number of slow moving but nevertheless important trends that will structurally change the future of work – including technology as a key driver.

Technological change has led to the automation of many routine tasks, which has improved productivity. Non-routine jobs are harder to automate for many reasons, such as requiring creativity or problem solving or by nature require a human presence (such as care work). Examples of cognitive skills include originality, active listening, and maths. To some extent machines and artificial intelligence could replace some or parts of these jobs, but many jobs will likely be redesigned to leverage technology and make use of more human skills. It is important to remember that many new non-routine and cognitive jobs have been created using technology and it's likely this trend will continue as technology advances. This shift from manual and routine cognitive tasks, towards non-routine cognitive tasks changes the nature of work.

Using scoring of how “cognitive vs manual” and “routine vs non-routine” an occupation is, we can identify which industries have occupations which are at risk of disruption by technology and which can more easily be augmented by technology.<sup>12</sup>

The following chart shows the expected growth in jobs, by category. Future job growth in Wellington is expected to be primarily in the generally more cognitive roles, with almost 85% of new roles out to 2025 in Wellington expected to fit this category.

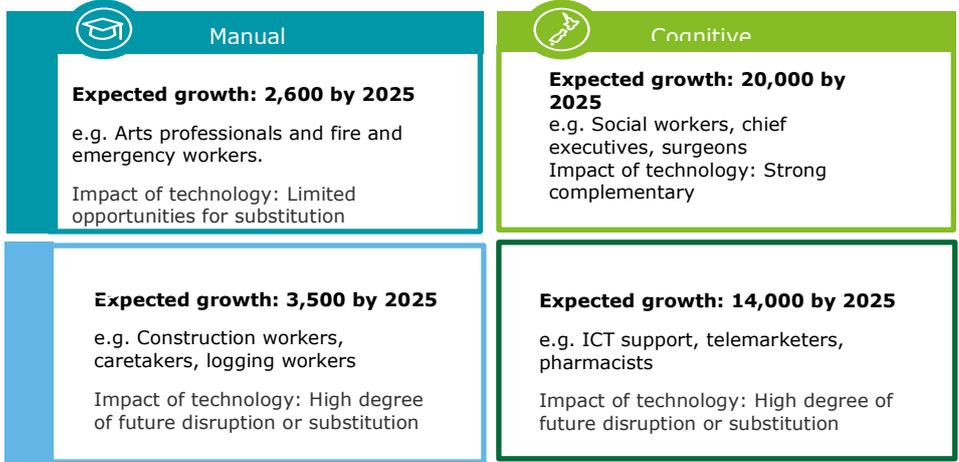
Many future jobs in the Wellington Region require skilled people who perform non-routine work, in part reflecting the higher proportion of jobs in other private services and public services. Within these jobs there is an opportunity to leverage technology. For example, social workers, surgeons and teachers use technology to better perform their jobs.

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<sup>11</sup> Education Counts, Schooling and Tertiary Education Statistics, <https://www.educationcounts.govt.nz/statistics>

<sup>12</sup> This scoring is developed by O\*Net, sponsored by the U.S Department of Labour

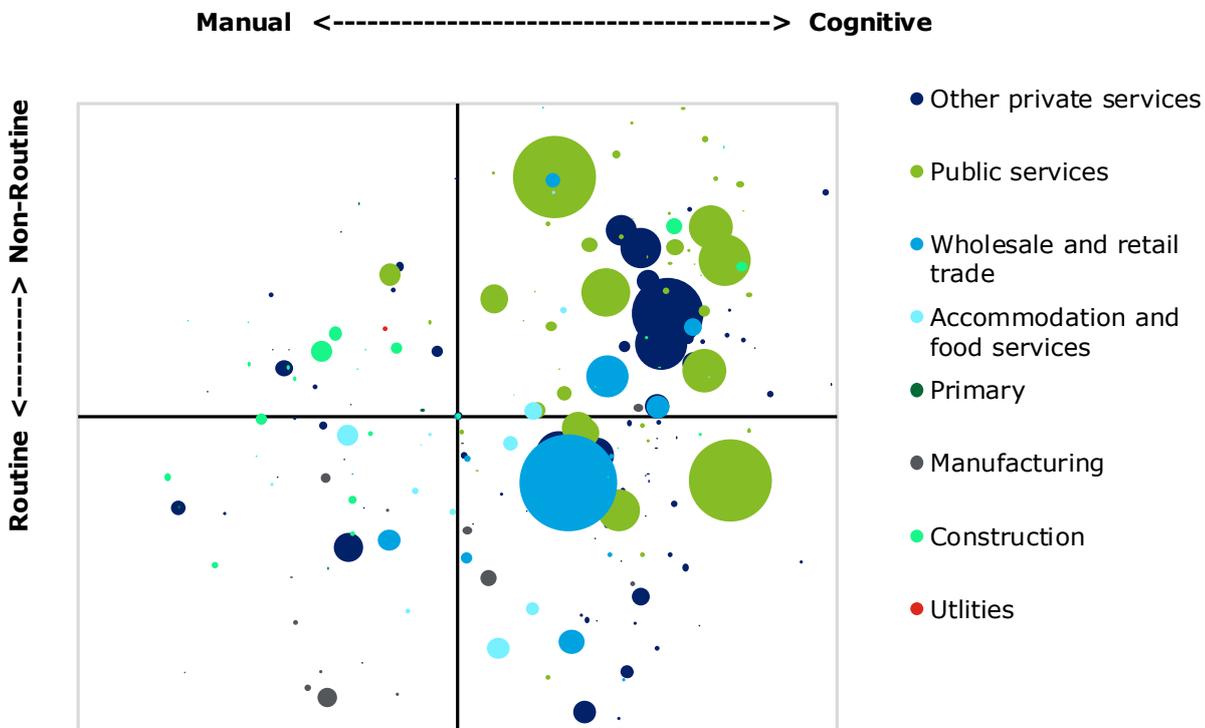
**Expected growth between 2018 and 2025, by category**



Source: Deloitte analysis, based on O\*net

A similar number of jobs require tasks that are cognitive but routine, and are therefore at a higher risk of future disruption or replacement by technology. Occupations include telemarketers and pharmacists. Future growth in the Wellington Region is expected to be primarily in these cognitive occupations requiring both routine and non-routine tasks. This means that while many jobs will find technology to be complementary, others could face a higher degree of disruption.

**Occupations grouped into broad industry, by manual/cognitive and routine/non-routine score (Wellington Region)**



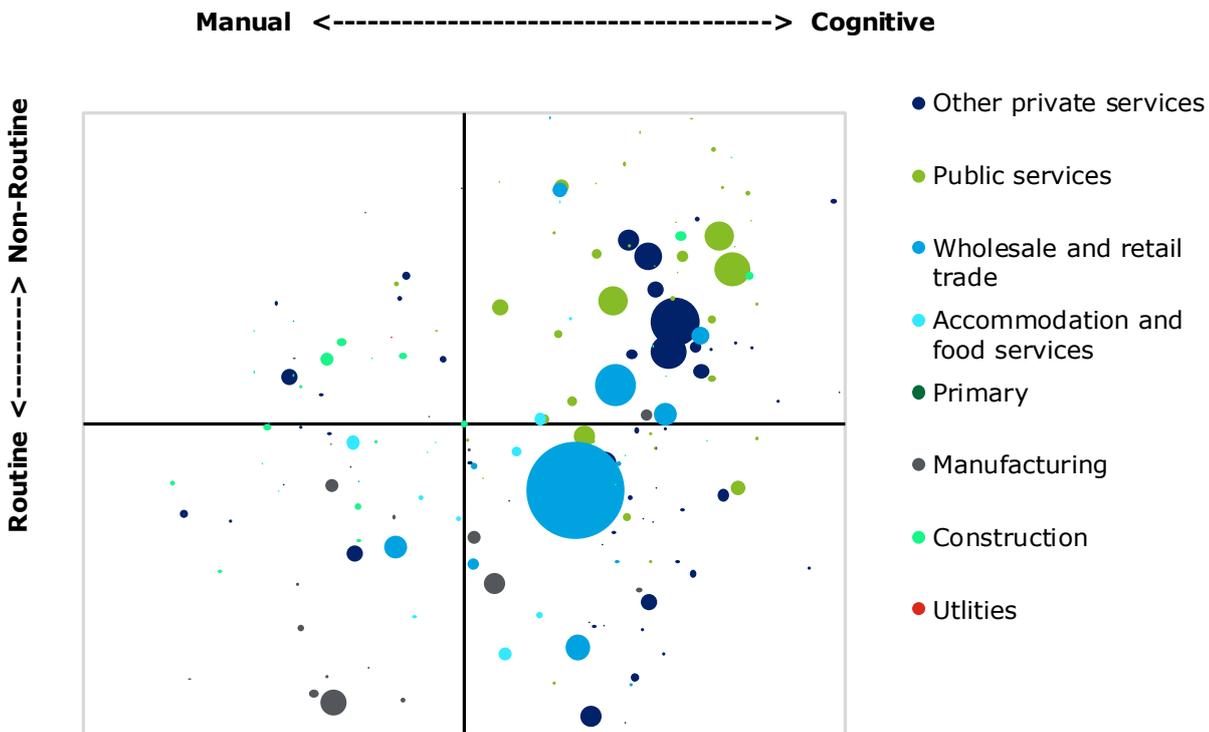
Source: Deloitte analysis, based on OECD and O\*net

In the chart above, each occupation has been assigned an (x,y) value based on where it sits on the “manual – cognitive” spectrum, and the “routine – non-routine” spectrum. The size of each bubble reflects the number of jobs for each occupation.

## Comparison with other major cities and the rest of New Zealand shows that the Wellington Region’s mix of occupations is unique

The broad range and high prevalence of public services occupations and other private services occupations is a stark contrast to New Zealand’s other main centres and the country overall. We have shown these same charts for Auckland, Christchurch and the rest of New Zealand over the next pages. The location of each bubble – reflecting its occupation (x,y) mapping – is identical on each chart, but the sizes are quite different.

### Occupations grouped into broad industry, by manual/cognitive and routine/non-routine score (Auckland)

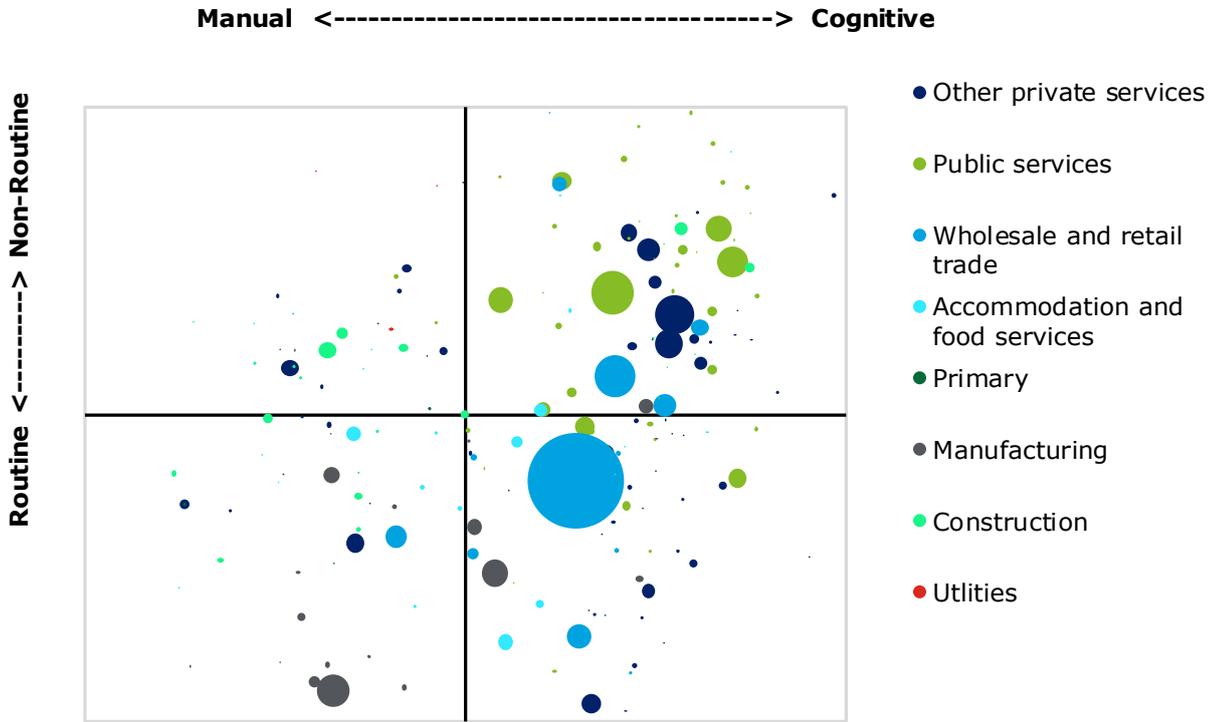


Source: Deloitte analysis, based on OECD and O\*net

Auckland’s mix includes significantly fewer (relatively) public services occupations, which reduces the prevalence of occupations in the upper right quadrant but also those on the lower far right (smaller green bubbles). Similarly, proportionally fewer occupations in other private services also reduces the prevalence of occupations in the upper right quadrant (smaller dark blue bubbles).

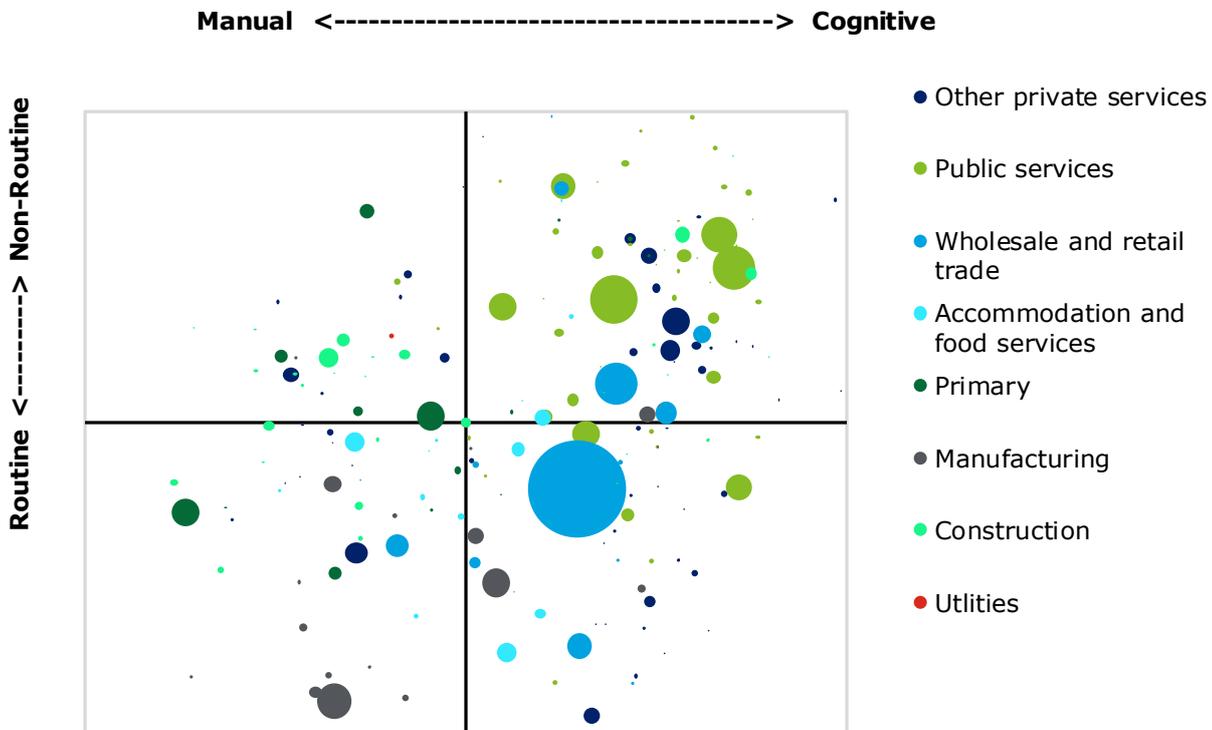
The distribution for Christchurch (over the page) is similar to Auckland, but with even smaller other private services (dark blue bubbles) prevalence in the upper right quadrant, and a different mix of public services occupations (green bubbles).

**Occupations grouped into broad industry, by manual/cognitive and routine/non-routine score (Christchurch)**



Source: Deloitte analysis, based on OECD and O\*net

**Occupations grouped into broad industry, by manual/cognitive and routine/non-routine score (Rest of New Zealand)**



Source: Deloitte analysis, based on OECD and O\*net

The distribution for the rest of New Zealand is again more similar to Auckland and Christchurch than Wellington, with lower prevalence of other private services occupations in the upper right quadrant (dark blue bubbles).

This highlights that Wellington has a “competitive advantage” with relatively more occupations in the upper right quadrant. This reflects the technology and creative skills many occupations in the region need – less routine work and highly cognitive.

While Wholesale and Retail Trade is a major part of the job market consistently across the country, the Wellington Region is proportionately less exposed to this and the associated risks of disruption. However, the Wellington Region also has a significant portion of occupations within public services that are more routine. While this provides opportunities for government in terms of efficiency and effectiveness of service delivery, it also means transitional challenges for this part of the workforce.

### **The implications are across the what, who, and where of jobs**

#### **Remote working may be suitable for many jobs in the Wellington Region**

Wellington City is characterised by a high proportion of people employed in professional services and government roles. Many of these occupations lend themselves well to remote work. In addition, these jobs along with many others, including those in health and education have an administrative component to them which could be performed outside of normal work hours or remotely.

There has already been a trend for more people to live in outer areas and commute only some days of the week, working in or near home the remaining days.

Currently, approximately 45,000 people commute into Wellington City each week day. However, this number is expected to increase by 25% by 2025. If these commuters had the ability to work remotely, for even part of the work week, this would reduce congestion on the roads coming into Wellington City for work – as well as freeing up valuable time for people. This would also give Wellington City employers the option to tap into dispersed talent pools – geographically (e.g. the Wairarapa), or demographically (e.g. women or older people who may prefer to work from home). Workshop and interview insights indicated that there is an increasing number of employees working in Wellington City but living in Wairarapa, some of whom are commuting daily, but the ability to work more remotely rather than having to commute daily could significantly increase this number.

#### **Ongoing education is a requirement of the future workforce**

A range of new jobs will likely be created as technology is incorporated more fully into traditional occupations – particularly those more cognitive non-routine in nature. These jobs could include developing, testing and teaching new technology. Education is key to ensuring that companies can adapt to the new technology and changes in their workplaces.

# Key challenges and opportunities

## 88.5% of survey respondents find recruitment difficult to some degree

Common reasons for this difficulty include skill shortages, qualification gaps and market competition. Most of the challenges facing the Wellington Region are far from unique – they are common across New Zealand and internationally. But there are also unique factors that suggest opportunities for the region.

We have summarised the key elements we believe are most relevant for the region below.

Common Issues	Wellington Factors
<ul style="list-style-type: none"> <li>• Many employers struggle to fill roles, but they also persist in continuing to use traditional ways to attract and upskill.</li> <li>• Yet there is also a significant pool of untapped labour, not currently seeking to participate in the workforce.</li> <li>• Employers are often nervous about giving people who don't align with traditional workforce a go, because of the significant costs of employing the wrong person.</li> <li>• To make matters worse, what people learn through the education system is not always well-aligned with the skills they need for jobs.</li> </ul>	<ul style="list-style-type: none"> <li>• The region has a unique mix of occupations that provide the potential for greater resilience in the face of trends and changes</li> <li>• The region has a high proportion of matawaka (Maori not affiliated with local iwi) and a large Pasific population. Both are over-represented in unemployment figures, and at high risk of being "left behind" in workforce growth and participation.</li> <li>• Meanwhile, even if people could be found to fill all roles, we would struggle to get all the people with jobs in Wellington City into Wellington City.</li> </ul>

In the sections below, we have provided brief discussion for each of the areas above, and the potential opportunities associated with these, taking account of the unique strengths and issues across the region.

### Many employers struggle to fill roles, but they also persist in continuing to use traditional ways to attract and upskill

Although nearly nine out of every ten employers said they find recruitment difficult, most are sticking to their old – some might say tired, traditional approaches. There is clearly some innate conservatism and inertia that many employers struggle to overcome.

- Only 13% of respondents actively seek to cross-skill within their organisations
- Only 17% of respondents use secondments to and from other offices or organisations to retain and upskill staff
- Many also acknowledge that flexible working can be a differentiator, but few are doing it; fearful of setting a precedent if it doesn't work out.

Employers cite skill shortages as the most common barrier to recruitment. It would be ironic then, if employers are paying more for futile recruitment efforts, rather than investing in growing their own people.

Wellington has a high demand for qualified and skilled professionals, causing intense competition for certain roles including technology, communications, HR, change and finance. This is prevalent across all organisational levels, but most notably at the middle management level. In fact, almost 50% of survey respondents identify middle management as a difficult level to recruit into.

What is encouraging is that awareness is clearly increasing. Throughout the workshops, employers said “**we** need to ...” recognising that it is employers who have to find and trial new ways, and many of these new ways are actually already known. When we asked “why don’t you?” it seemed to be a matter of time and prioritisation. Five years ago awareness would have been far lower, so the region’s employers are on the right trajectory but there need to be more catalysts to drive them to action.

### Opportunities

Not only did employers who participated in the survey and workshops for this project agree they need to take action, in many cases we saw that they already know which actions to take. This rising awareness is positive and no doubt reflects the pressures many employers already face. Each employer is unique, of course, but key opportunities include:

- Thinking about roles differently, rather than waiting for the perfect candidate who has it all – e.g. carving up the work differently
- Establishing flexible working arrangements, particularly remote working, encouraging “returnships” and structuring roles/work that does not need to fit into a “9 to 5” 40 hour week window
- More upskilling and cross-skilling of staff, providing better career opportunities but also greater flexibility for the organisation

Often, organisations are mired in inertia because they feel the risks of change are too high, but this often ignores the risks of carrying on with the way it’s always been done.

### Yet there is also a significant pool of untapped labour, either unable or not wanting to participate in the workforce

Around 50,000<sup>13</sup> people of working age across the region are not employed. Simplistically, if these were to gain the right skills and motivation then the 42,000 new jobs could be filled rather easily. A significant portion of this pool are officially unemployed – a total of around 14,000 – and in some cases that means significant effort and investment is needed to upskill people so they are ready for the workforce.

But the larger portion is likely to have significant transferrable skills and life skills. Some employers have already tapped into this potential, structuring their work or thinking about roles differently to fill staff shortages. This has included establishing flexible hours, supporting older people to continue working past traditional retirement age, and enabling working from home, but also setting up processing centres for administrative and clerical work outside Wellington City.

*“We were having so much trouble finding good comms people so we ended up looking at hiring mums, each working 10 hours per week from home or in the office.”  
(Public employer)*

<sup>13</sup> There are also a further 75,000 people of retirement age, some of whom might be enticed to remain or return to the workforce

With increasing connectivity and technology options, these sorts of arrangements are becoming increasingly practical. The ideas are no longer “fringe” with a growing number of success stories, but employers need to get to grips with how to make it work culturally and how it changes their work management practices.

### Opportunities

Successive governments have grappled with the issue of how to best prepare young people and the unemployed for the workforce, and clearly significant investment will continue to be required to ensure some people or groups of people such as young people of Māori and Pasifika descent are not “left behind”.

Certainly, businesses can do more to tap into the pool of potential talent – e.g. in the ways already described above. But addressing the issues holistically will require coordination and effort from the broader community – bringing together central and local government, employers, NGOs and iwi. A particular challenge for Wellington is the large proportion of “urban Maori” who are not affiliated with local iwi (and therefore don’t have easy access to support from iwi-based organisations) as well as a sizeable Pasifika community including large numbers of young people who are at genuine risk of being left behind.

“Skills hubs” are an example of broader communities working together to address workforce and employment issues. For example, the **Canterbury Skills and Employment Hub** was established in 2012 as a trial to assist the Christchurch rebuild and the regional economy through streamlining the skills matching process to help meet employer demand. An evaluation found that despite increasingly tight labour market conditions, the Hub placed New Zealanders in work and, where they are not available, expedited employers’ access to migrant labour.

Similarly, the **Auckland CBD Hub** opened in Wynyard Quarter in 2017, influenced by lessons from the Ara Jobs and Skills Hub that supports the redevelopment of the Auckland International Airport and its precinct. The CBD Hub was established as part of the SWEP programme, focusing on placing individuals in CBD-based jobs in construction, infrastructure, hospitality and tourism.

### But employers are often nervous about giving people a go, because of the significant costs of employing the wrong person

Employers say this is particularly difficult for young people – the NEETs – where other social issues are also often obstacles to gaining and maintaining employment. Generational differences (real and perceived) also make some employers hesitant.

Most employers are risk averse – they would prefer somebody else to try a new employee out first, let them gain experience and skills, and, after they have proven themselves it might be ok to offer them a job. But this can miss the bigger picture, as over time employers will find it harder and harder to win this game of chicken, and those who are taking new risks on new employees will tend to reap the greater benefits.

There has been a generational change in New Zealand, with Wellington being no exception, where historically large numbers of young people were trained by large employers such as railways, postal services, the military and administrative functions within the wider public service. With these pools

The Canterbury Skills and Employment Hub achieved the expected high-level outcome of improved employer access to labour supply.

To date, the Auckland CBD Hub has facilitated training for 1,675 job seekers and placed 336 people into employment, including 47% under the age of 25, 37% of Māori descent and 32% of Pacific Island descent.

*“Someone needs to provide incentives to employers to develop & implement programmes that upskill the unskilled”*  
(Survey Respondent)

declining, new mechanisms will need to be put in place to support large numbers of young people into “starting out” jobs.

### Opportunities

Apprenticeships and internships have been traditional ways to both upskill workers and provide a low risk employment relationship. But “returnships” (targeted at people returning to the workforce) are also a way of tapping into a broader workforce pool, with benefits to both employers and employees. One of the challenges with interns for some employers is timing and seasonality – if a business is reducing its activity over the summer holidays, then that can be a difficult time to provide an internship to a student. Returnships have the advantage of providing a non-seasonal, year-round approach to providing employers and employees with experience and pathways into employment.

The public sector can be a leader in this area, as it should not have the same competitive pressures as the private sector. An internship that results in employment with a different agency is still a “win” for the public sector, and one that results in private sector employment provides broader social and economic benefits that government wants to achieve anyway.

### What people learn through the education system is not always well-aligned with the skills they need for jobs

A common theme from both the survey and our workshops and interviews was that employers feel that schools and tertiary education providers do not consistently produce people with the skills needed to be successful in work. The concerns generally fall into three categories:

- Core skill gaps in school leavers, such as basic communication skills and work ethic / professionalism
- Soft skill gaps across the board, specifically interpersonal skills, leadership skills and communication skills – including where students have completed degree-level qualifications
- Insufficient or ineffective guidance for students to help them understand their options and navigate through the education system and transition into the workforce

The notion that education providers and employers should work together more closely to optimise education outcomes has been bandied about for a long time and is hardly novel. A recent report<sup>14</sup> released by Universities New Zealand highlighted that only about 5% of NZ firms are collaborating with higher education or research institutes, putting New Zealand at 29th out of 33 OECD countries. While there are some good examples of collaboration in the Wellington Region, more will need to be done to close the gap between what education providers focus on and teach, and what employers feel they need.

*"We offer internship programmes but our interns often use the opportunity and then go elsewhere."  
(Public Sector Employer)*

<sup>14</sup> <https://www.universitiesnz.ac.nz/sites/default/files/uni-nz/documents/Collaboration%20between%20universities%20and%20industry%20FI%20NAL.pdf>

## Opportunities

Matching employer needs with education clearly requires both to work together. There are a number of opportunities for education providers to better meet the needs of their students and employers, such as:

- Providing **consistent, high-quality career counselling** that is early enough for students and well-informed by the market. Secondary schools can offer career counselling from year 9 and subsequently help connect students to work placement opportunities. This is particularly relevant for students who are not planning to pursue further education. Today, the career counselling experience is seen as highly variable between schools, and emphasis is typically on years 12 and 13, potentially too late for students who may not perform well in academic qualifications. We understand central government is considering changes to career counselling, but schools and their communities can also take matters into their own hands by evaluating the effectiveness of services they currently provide, and considering how they can connect local employers with their school.
- Focus on **multi-modality courses**. Degree programmes and other professional qualifications need to focus not just on the acquisition of academic knowledge but its practical application.
- Lessons could be learned from countries which combine apprenticeships in a company with vocational education at an education institute in one course, splitting time between the two; so-called "**dual education**" systems.
- While there are already good initiatives underway – e.g. most business schools using "business case" competitions to simulate working in a job – this should be far more systematic. The research shows "soft" skills (i.e. those dealing with personal interactions, such as communicating, influencing and leading by example) are and will be at least as important as pure technical knowledge. Graduates will be better prepared if courses include written, visual and verbal communication as well as team-based assignments as standard parts of what is taught and what is evaluated.
- Focus on **graduate outcomes**. Currently, there are no requirements for universities, wananga and polytechnics in New Zealand to follow up with graduates and graduate employers, resulting in some disconnect between what courses teach and its relevance to future employment. While individual providers may undertake their own follow-up on graduates, there is currently no cohesive approach. Universities, wananga and polytechnics would benefit from graduate surveying to assess graduate outcomes. This would ensure the voice of graduates is heard, as they may have different opinions on course relevance to those of industry leaders.

Within this survey, it would be appropriate to focus more heavily on outcomes for those who appear at higher risk of "being left behind", i.e. those that are currently over-represented in unemployment statistics such as those of Māori and Pacific descent.

For example in the UK, there is a large funded Graduate Outcomes survey distributed to all graduates nationally 15 months after completion of studies. Since it began in 2017, 700,000 graduates have participated in the survey. The survey focuses on the value studies played in students subsequent activities and how skills picked up in education are being used. Results are shared with tertiary institutions to guide course decisions.

The proposed Vocational Education Review will encourage ITOs to take a graduate focus by default. Specifically, the government is looking to fund "Industry Skills Bodies" to give industry and employers a stronger voice, by allowing a group of industry leaders to set skill standards, approve programmes, set assessments, etc. Industry Skills Bodies would ensure that teachings are consistent and relevant across the proposed New Zealand Institute of Skills and Technology, which would encompass the 16 current ITPs. While ITPs will have a consistent employer voice under the proposed model, there is no plan for this across universities.

**The region has a unique mix of occupations that provide the potential for greater resilience in the face of emerging trends**

As the analysis on pages 21-24 shows, the Wellington Region has a high prevalence of jobs that are non-routine and highly cognitive. Wellington has a unique position in creative, technology and knowledge-intensive services.

**Opportunities**

Many of the jobs in Wellington are well suited to flexible working arrangements, including working remotely or working non-traditional hours. Many of the jobs will also be complemented or enhanced by technology rather than disrupted negatively, though of course many of the region's jobs are also in the other quadrants of the chart on page 22.

Helping this part of the region's economy thrive will help maintain the "competitive advantage" but also provide spill-over benefits more widely.

- Central and local government can ensure they do not lag behind technology trends and the expectations of modern citizens in terms of digital service delivery, and use of data to target and evaluate initiatives. Continual investment in technology and service delivery will upskill those employed in Public Services and also provide a magnet for businesses and employees with scarce and deep technology skills.
- Education providers can bolster the courses and curricula available to students – particularly collaboration with industry around research and development and qualifications needed for high-tech and creative industry jobs.
- Local government can continue to promote Wellington as a great place to live and work, and support employers seeking to attract migrants from the rest of New Zealand and overseas to fill skills shortages.

**The region has a high proportion of matawaka (Maori not affiliated with local iwi) and a large Pasifika population. Both are over-represented in unemployment figures, and at high risk of being "left behind" in workforce growth and participation.**

Only around 16% of Māori in the region are affiliated with local iwi – i.e. the vast majority affiliate with iwi in other parts of Aotearoa. This creates particular challenges when it comes to delivering on the objective that "no-one is left behind" since there are no organisations specifically focused on workforce development for these matawaka (Maori not affiliated with local iwi, or indeed the Pasifika community).

**Opportunities**

Given that people of Māori and Pacific descent have a significantly larger over-representation in unemployment figures, the flipside is an opportunity to tap into these groups as a key workforce source. Currently however there is no obvious organisation with the mandate and focus to support initiatives targeting these population segments. Iwi-based organisations are frequently asked to support initiatives targeted at supporting Māori success, putting them under pressure to provide resources. Iwi representatives that we spoke to expressed frustration that their resources are not only spread too thin, but also it is not their role to drive initiatives aimed at supporting all Māori in Wellington to succeed.

**Even if we could easily fill all roles, we would struggle to get all the people with jobs in Wellington City into Wellington City**

The topography in our capital city is unique and means there are always likely to be transportation capacity constraints. Inside Wellington City, there is only so much space to support new housing developments and cater to the accommodation and wider needs of a growing population.

The forecasts suggest that over around half of the 42,000 new jobs by 2025 would be in Wellington City. The strain this would place on the Wellington City housing market, public and private transportation capacity, not to mention wider requirements such as childcare will provide strong economic and social signals that employers need to change their approach.

**Opportunities**

We are already seeing some employers moving away from the CBD and setting up premises in Porirua and the Hutt Valley. Others have enabled flexible working conditions that reduce the need for staff to commute, especially at peak times. These trends will accelerate and employers who do not consider these approaches in the near future may find themselves becoming less and less attractive to work for. That's not to say business and employers should leave the Wellington City market, rather that they can make the most of the diverse workforce across the region, for example collaborating with others to set up satellite workspaces that reduce the need for people to commute, or thinking laterally to expand childcare options for employees.

# Recommendations

The research and analysis carried out for this report has highlighted that many people already know what they need to do – they just need to prioritise it. While WellingtonNZ can act as a catalyst for change in some areas, it is really up to all of us to lift our game.

## Introduction

### Who is best placed to address skill shortages?

Employers we engaged with tended to agree that it is employers first and foremost who need to act to help address skill shortages.

The summary on the right shows the responses to the survey question “Who do you think should be part of the response to overcoming barriers to employment?”

Even though local government was selected by only 17% of respondents, we believe there is a role for WellingtonNZ too. Indeed, this report has been developed primarily for WellingtonNZ and we have therefore provided recommendations relating to what it can do to help the region address its various workforce challenges.

### Priorities for WellingtonNZ

WellingtonNZ does not have the same levers as central government, large employers or educational institutions. However, it has a niche remit and capability to bring diverse stakeholders together, act as a catalyst for change, and regularly monitor progress.

We believe there are three key focus areas for WellingtonNZ that should be used as a lens to qualify and prioritise its actions. We have identified these areas in particular as ones where it is perhaps not “best left up to the market” – and therefore appropriate for government intervention.

Clearly, we would expect market forces will drive change over time, and we are already seeing a much higher level of awareness amongst employers, but leaving it all up to the invisible hand may not provide us the future we collectively want for the region.

Of course, this isn’t to suggest other areas are unimportant, but as a relatively small agency, WellingtonNZ needs to focus on where it can make the best or most important impacts.





### **Maintaining the region's competitive advantage**

Wellington has a unique position in creative, technology and knowledge-intensive services. This should be protected and promoted so that the Wellington Region remains ahead of the pack. Technology skills are also seen as a critical enabler for economic growth – and a significant future shortage – with the potential to generate high value, high productivity outcomes.

What this means for WellingtonNZ is that it needs to continue to focus on attracting talents (including migrant workers and international students) that help maintain Wellington's position – supporting businesses dealing with skills shortages and Immigration NZ, and collaborating with Education NZ and others as appropriate.



### **Making the most of our population**

There is a significant potential opportunity to tap into the pool of people, over the age of 15, who are not currently part of the workforce. We believe economic growth needs to be inclusive to be sustainable. While there are undoubtedly challenges to be overcome, inclusive growth must look beyond traditional worker cohorts to source talent and skills, to include not only those officially recognised as unemployed, but also older people, and those who left the workforce to be caregivers but are ready to re-enter. WellingtonNZ can play an important role in supporting employers to tap into this workforce.

The capability and capacity of iwi in the region continues to grow (though sometimes constrained by talent shortages) and they will be critical stakeholders and potential investors in a range of solutions – e.g. skills hubs, Māori tourism, education and primary industries technologies. However, with 80% of the region's Māori population affiliated to iwi outside the Wellington region, local iwi cannot be expected to focus on their people and solve broader issues faced by some of the region's Māori population. Iwi have a responsibility to their own people, and treaty settlements are made with that in mind. It is not up to individual iwi to solve issues for all Māori.

We believe there could be a role for WellingtonNZ in establishing a voice for both matawaka (Maori not affiliated with local iwi) and the Pasifika community, as well as the broader Maori business community on workforce participation and skills development, with a view to progressing some practical initiatives.

Success in this space will also mean taking a close look at industries where intervention can achieve better outcomes. For example, we have been told that in Construction the "market solution" can be simply to bring skills in from other regions or even overseas. This is a missed opportunity if we have people in our regional population who could do much of the work (if they were able to acquire the skills needed) and build long term careers. Porirua City is already considering establishment of a "skills hub" with the Construction industry as a focus (among others). There is significant activity in the industry – Transmission Gully is underway, a \$1.5 billion regeneration project for housing in Porirua, and of course the Let's Get Wellington Moving investments that have recently been announced. These will require a range of manual skills, management skills and highly technical skills over many years of investment.

For similar reasons, the region needs to do more to engage the many people who are neither unemployed nor part of the workforce. As discussed earlier in this report, this is a potential source for filling a range of roles and skills gaps, if jobs can be configured to be convenient for their preferences.



### **Making the most of our geography**

Wellington needs to create jobs that can be done outside Wellington City – i.e. enable jobs and work to be done across the region. While Transmission Gully and Let’s Get Wellington Moving (once delivered) will help ease traffic congestion and increase capacity, there will always be commuter and housing constraints in Wellington City. We note several employers, including large public sector agencies, are considering moving some functions, offices and staff outside the CBD to places like the Hutt Valley and Porirua. This is a good start and will also help to spread the positive economic impacts of such employment more evenly.

Broadly, the trend to less fixed office-based work needs to accelerate. The idea of telecommuting has been around for decades, and should hardly be considered a fringe concept. Given the significant technology advances since the concept was first tried, the main obstacles now appear to be cultural – reluctance to take a risk and make it work.

## **Actions for WellingtonNZ**

WellingtonNZ is in a natural position to be the workforce development “centre of excellence” for the Wellington Region. Given its focus on economic development, it can act as a catalyst and bridge gaps between different stakeholder groups (e.g. education institutes and business). Our recommendations for WellingtonNZ take into account its current work and role, and the levers and capacity it has to lead change. Recommended actions are described below.

### **1. Establish regional workforce leadership**

WellingtonNZ already plays an active role, working with local councils, iwi, businesses and other stakeholders to promote economic development in general, and also provides a range of workforce development resources that employers can use to improve their practices. Establishing a governance structure and team to lead and drive performance in the workforce space is a necessary first step to enable effective change.

As a first step, WellingtonNZ needs to promote the findings from this report and engage stakeholders, not only to continue to raise awareness, but also to create a “coalition of the willing”. This should include:

- Establishing a leadership group for workforce development – drawing on participants from local government, central government, businesses, iwi and education. While WellingtonNZ can provide the forum and secretariat for this reference group, it requires people with a genuine interest to volunteer their time to discuss and help prioritise or coordinate activities at a local and regional level.
- One of the early agenda items for the reference group will be how to best respond to, and become involved in, the Review of Vocational Education, e.g. establishing the “Industry Skills Body” for the region. Facilitating employers and educators working off the same page to address issues will be a critical success factor for positive change in the region.

This also means WellingtonNZ needs to review its own business model to ensure it has the capacity and capability to play a meaningful role as steward of activities supported or promoted by the leadership group. This is likely to require a team with a mix of skills and experience across stakeholder groups, workforce analytics and workforce development.

## **2. Manage and promote relevant research and data**

WellingtonNZ should establish a programme of research and reporting to promote information that helps stakeholders make better decisions and tracks key data and progress over time. Each piece of research is also an opportunity to engage – continuing to advocate for awareness, actions and change. The research should include:

- Wage rate data, which is currently difficult to match and model with employment forecasts, and would provide a useful additional lens to help prioritise industries and skills.
- Specific industry workforce analyses. There are currently a range of estimates for industry demand forecasts and it is difficult to know how consistent they are, and what they mean in terms of specific roles. Construction would be a great first initiative. If WellingtonNZ can collate and disseminate good information on the various workers we will need in the industry, then this can be used by employers, educators and prospective employees – but importantly it can be used by central and local government to inform planning and sequencing the programmes of work, mitigating the risk of multiple boom / bust cycles over the years.
- Analysis of costs of external recruitment across the region vs alternatives such as training / upskilling existing staff. This may highlight important facts to increase employer awareness of options, the risks and value for money of different approaches.
- Deeper analysis of the composition, motivations and aspirations of the population over the age of 15 who are currently not participating in the workforce, or in education or training.

WellingtonNZ should also be stewards of key datasets, e.g. working with territorial authorities seeking to develop their own specific strategies to promote consistent use of information, assumptions and approaches.

## **3. Facilitate pathways to employment**

WellingtonNZ is already involved in a number of initiatives relating to career transitions, such as Gateway, Summer of Tech / Biz and the InternQuest Website. The Gateway and Summer of Tech / Biz programmes have both been successful in placing some young people into work placements, but applications from students far exceed the number of positions that have been generated. Across the region, there are dozens of initiatives – each likely to have similar challenges around measuring effectiveness and gaining traction with employers.

WellingtonNZ should strengthen its role to support and help coordinate these various initiatives, driving for better overall outcomes through:

- Effectiveness evaluations, so stakeholders better understand what works, critical success factors and common obstacles.
- Addressing common obstacles, e.g. brokering supply / demand aggregation, leveraging WellingtonNZ stakeholder relationships to drive greater participation by businesses, or creating new partnerships.

- Providing forums for sharing knowledge, ideas and good practices.
- Proactively considering options to engage with students and young people at greatest risk of unemployment.
- Promoting participation so that more employers and educators seek to be actively involved.
- Encouraging or piloting initiatives that move beyond internships – e.g. focused on returnships through partnering with “Women in Tech” and other organisations.

WellingtonNZ could also play a role in helping education providers enhance career counselling services. Initially, this should be focused on secondary schools around the region, helping them with market / employer input and intelligence, and sponsoring conferences or events to share knowledge, approaches and success stories.

WellingtonNZ should also explore suitability of Skills Hubs as one of the solutions for matching people with employers. Concept work for a hub in Porirua is already well advanced with the local council. WellingtonNZ is likely to have valuable perspectives to add from its regional lens – e.g. training providers in the Hutt may have great expertise, or youth from the Kāpiti Coast could benefit from involvement. WellingtonNZ might also have a role developing a robust business case, including consideration of sustainable funding arrangements. At minimum, WellingtonNZ needs to be in the loop on this important initiative so that it can learn more about what is involved in setting up a hub, how the initiative is progressing, and whether there are roadblocks WellingtonNZ or other members of the regional leadership group for workforce development can help address.

WellingtonNZ should leverage the Porirua example and other New Zealand or international experience to test which other parts of the region might benefit from a skills hubs – e.g. on the Kāpiti Coast or in the Wairarapa.

#### **4. Drive and challenge stakeholder action**

Employers and education providers have been identified as having the most significant role in overcoming barriers to employment. We believe many employers and education providers already know what they need to do differently, but struggle to see that through to action. For those who don't know the “what” yet some of the opportunities discussed in the previous section will be a great starting point.

WellingtonNZ should advocate for change and provide support for stakeholders getting to grips with moving from “what” to “how”. This is a specific “workforce development” adjunct to its general advocacy role, relating to economic development more broadly. WellingtonNZ has already made a start developing support resources such as the InternQuest website and its involvement in some of the pathways initiatives discussed above. These resources and supports need to be strengthened and promoted so that there is greater uptake, demand for more, and thus greater levels of action.

Part of this role is to be the nagging conscience, asking questions of employers (“Do you have a workforce development plan? Let me show you what a good one looks like”) and education providers (“How do you know which of your courses result in the best job placements?”) to help be a catalyst for moving beyond awareness to the new normal. But WellingtonNZ is also well placed to create the right conversations between stakeholders, bringing employers and education providers together, or sharing innovative recruitment and retention approaches between businesses.



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