

Labour Market Model

Key Messages

1. The model is not a crystal ball and its output should not be considered an absolute of the future. Rather it shows the consequence of a given scenario; change the scenario and model will show a different consequence.
2. The model has been updated in November to reflect the latest information received from the Earthquake Commission and insurance companies. Taking into account their damage assessments and scheduling of work it is expected that an additional 23,000 construction workers will be required with a peak demand for labour being somewhere around quarter 4 2013.
3. The build-up of construction related activity will take more time than most commentators are projecting and the tail of activity past peak demand will create additional work for the next 20 years – this is not short term boom and bust dynamic.
4. Whilst it is technically possible that the New Zealand construction industry could cope with the bulk of projected demand the reality is somewhat different. Pent up demand from Auckland, fixing of leaky buildings, government spend on infrastructure and economic growth throughout New Zealand will result in construction workers being absorbed in their home regions and therefore will be unavailable to Christchurch for rebuilding activities.
5. The ageing profile of the construction industry highlights a replacement challenge; there will be large scale opportunities for young people to up skill in the trades, which will provide them with sustainable employment for a generation.
6. The caveat to point 5 is that we need to ensure that training has a sustainable future. It would be folly to train an excess of people to meet the first spike and then find a second disaster where these new trainees become unemployed or move overseas due to a lack of work. Local training should focus on replacement of ageing workers and replacing the natural attrition rates of the construction industry.
7. Migration has to be a key plank in the response to construction needs. There are peaks highlighted in the rebuild which are impractical to meet with the New Zealand workforce and would prove to be unsustainable in training large numbers of New Zealanders to undertake the work. The peaks can be smoothed out with the use of short term migrant labour; current Immigration NZ policy should be sufficient for importing of short term migrant labour using the existing temporary workers scheme.
8. We forget the growth engines of the Canterbury economy at our peril – Agriculture, ICT, Specialised Manufacturing and the Services sector will require large numbers of highly skilled graduates over the coming twenty years.
9. The consequences of the workforce needed to rebuild Christchurch clearly show that there isn't one strategic response that will fit the bill.
10. The solution therefore is an 'and' strategy. Absorption of the current local workforce **AND** recruitment of construction workers from other areas of New Zealand **AND** training young people **AND** up skilling / re skilling people outside the labour market **AND** migration are the solution to the Christchurch rebuild puzzle.