

Skills Shortage, Recruitment & Immigration Challenges in the Construction Sector

July 2021

A report from ACE New Zealand, Te Kāhui Whaihanga
New Zealand Institute of Architects, Civil Contractors NZ
and Registered Master Builders Association



Waterview Court
Ashton Mitchell



Contents

<u>Executive summary</u>	4
<u>Workforce needed to support infrastructure delivery</u>	6
<u>Our organisations</u>	6
<u>Member feedback</u>	7
<u>Key findings</u>	8



association of
consulting and
engineering



Te Kāhui
Whaihanga
New Zealand
Institute of
Architects



Executive summary

The construction sector is facing a significant skills shortage, which cannot be addressed by the local market alone. Therefore, the Government's announcement of a group allocation of 60 MIQ places per month for construction sector workers, from May to October 2021, was welcomed.

The construction sector understands the current settings make these places available to workers who have obtained a border exception and a visa to enter the country and that the places, if not used, will be lost.

Access to a skilled workforce and pipeline of talent is essential if the current and proposed infrastructure investment across New Zealand is to be delivered. Allocation of MIQ places is an urgent and essential need of the sector. Unfortunately, Immigration NZ's border exception criteria are too narrow, meaning the skilled workers cannot enter the country and the skills shortage remains. Under the current Immigration NZ criteria and processes, the sector cannot confidently plan for, or secure the skills it needs.

It is essential that Immigration NZ adopts border exception criteria that align with the skills needed within the construction sector. The application process for these exceptions must also be simplified.

“We have an ‘employee’ who was recruited 2 years ago, stuck on the wrong side of the border for 18 months now... His applications just gets rejected repeatedly, even though we believe we meet the exceptional circumstances criteria.”

(ENGINEERING CONSULTANCY)

The Association of Consulting and Engineering New Zealand (ACE New Zealand), Civil Contractors New Zealand (CCNZ), Te Kāhui Whaihanga New Zealand Institute of Architects (NZIA) and Registered Master Builders Association have recently surveyed all members. The purpose of the survey was to understand current vacancies and resource demands across the sector, recent experiences with recruitment (both from within New Zealand and the international market) and with immigration, given the current COVID-19 border restrictions. Responses from 135 member firms were received.

The results show:

- There are 3229 current vacancies across 135 firms.
- 90% of firms are having difficulty recruiting in New Zealand, with 66% getting no domestic applicants
- 28% are trying to recruit from overseas (normally 81% would recruit from overseas.)

Of those that are **not** trying to recruit from overseas:

- Half say it's because the exception process is too hard, 47% say they don't have the time/resources to commit to the exception process, a third say they don't think they'll meet the criteria, and 26% say they don't understand the process.

Of those that **are** trying to recruit from overseas:

- More than half say the exception process is too complex, a quarter say the process takes too long and costs too much, 65% asked for clearer guidance from Immigration NZ, and 53% want contact with officials who can help them through the process.



The findings support the construction sector's view that Immigration NZ's criteria are too narrow. Further, the sector believes the criteria are at odds with the Government's intentions in allocating MIQ places for the whole construction sector, which are to enable the delivery of infrastructure (both government and non-government,) have a wider industry focus (including on the supply chain and regions) and are more suited to the sector's needs.

At present, MIQ places are available for qualified people overseas who want to work on New Zealand infrastructure projects. But the construction sector is experiencing barriers to accessing these essential skilled workers due to Immigration NZ processes and the impossibly high bar for getting border exceptions.

As an important driver of New Zealand's economy, the construction sector is seeking Government support for streamlining its processes, to avoid further delays to accessing the essential skilled workers needed.

The sector specifically seeks the Government's support for:

- aligning Immigration NZ's exception criteria for "long-term critical workers" for the infrastructure sector with the MIQ group allocation criteria,
- the salary threshold being lowered to a level aligned to those of the workers whose skills are in short supply,
- construction sector professions and occupations being added to the list of approved classes of workers alongside dairy farm managers and assistants, shearers, etc. and
- improved levels of support from Immigration NZ for the sector and their applications for MIQ places and border exceptions (for example, nominated key sector contacts, guidance on application information, such as templates).

Workforce needed to support infrastructure delivery

Over the last 12 months, both central and local governments have announced significant investments in infrastructure programmes across Aotearoa. These investments range from housing, transport and water (including new infrastructure, maintenance and operations,) to determining how to meet our climate change and health and safety responsibilities.

The Government has also announced significant reforms across health and education, which link into the construction sector. To deliver these ambitious programme of work, we need a fully equipped construction sector with sufficient resource, staffed by workers with the right skills and experience.

Our organisations

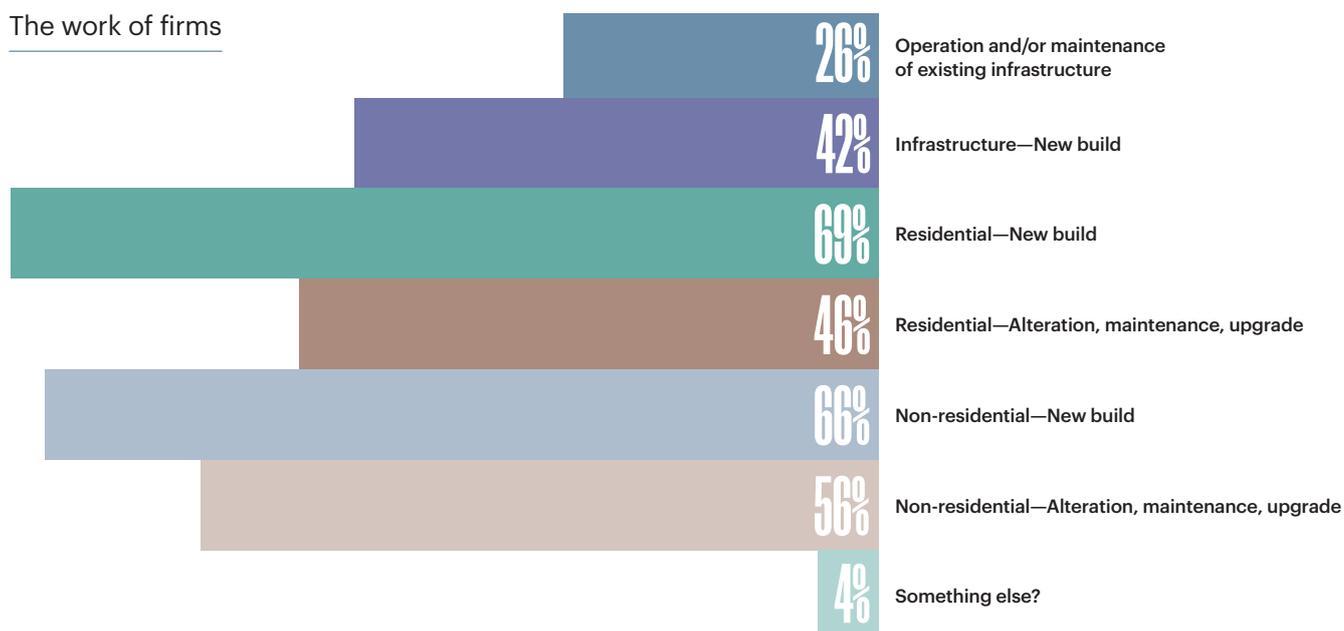
Together, ACE New Zealand, CCNZ, NZIA and Registered Master Builders Association represent thousands of companies/firms

and tens of thousands of individuals working across the built and natural environment in Aotearoa. They include large multinational firms – the biggest in the western hemisphere – through to employee-owned SMEs and sole traders, in contracting, trades and professional services. Staff represented through their organisations include engineers, architects, project managers, planners, scientists, surveyors, cost managers, technicians, builders, site managers, trades people, plant operators and more.

The survey

We surveyed members to gain an understanding of what current vacancies and resource demands look like across the sector. We also asked about recent experiences with recruitment (both from within New Zealand and the international market) and immigration in light of current COVID-19 border restrictions. Responses from the sector illustrate its ability to deliver the Government's ambitious infrastructure programme of work with the current shortage of skilled workers.

The work of firms





Member feedback

We received responses from 135 of our member firms, representing the majority of total employees across our memberships. Firm size ranged from fewer than 10 staff through to more than 1000 staff, with 42% of respondents representing firms with greater than 50 FTE. Responses were received from firms operating across all regions in New Zealand, working across large market areas including transport, water, energy and industrial, commercial or public buildings, residential, and other infrastructure such as communication.

“The requirements for the critical workers exemption and amount of work required is demanding, more specifically it seems unnecessary to insist on labour market testing for roles that have been on the skills shortage list for over 10 years.”

(ENGINEERING CONSULTANCY)

Key findings

There is a significant shortage of skilled staff in our sector

There are currently thousands of vacancies across the construction sector – from professional services through to trade roles. **Survey respondents alone reported 3,229 vacancies.** These roles sit across a wide range of experience levels and include jobs for highly skilled workers with specialised training and experience.

The high number of vacancies highlight an immediate need for resource and are placing significant pressure on our staff and businesses in Aotearoa.



These shortages cannot be addressed by the local market

Employers are experiencing significant difficulty filling these positions from the New Zealand market and are either receiving no applicants for advertised positions, or not the right applicants. 90% of respondents report difficulty in getting local applicants, with 66% receiving no applications at all.

The available New Zealand market has been tapped out, leading to increased competition for personnel within New Zealand, which is not sustainable for the sector.

Member firms of all four participating organisations are significantly involved in initiatives to grow the pipeline of talent within New Zealand, including through education, scholarship, and apprentice initiatives. However, these are medium to long-term solutions and won't address the sector's immediate needs over the next one to five years.

Without access to skilled staff from overseas to address immediate needs, the sector will experience delays in project delivery, adding time and cost to the Government's ambitious infrastructure programme, and broader reform programmes including health and education.

“Wait 3 months [for] visa – then another 3 months for MIQ slot. When you book MIQ you need to book flight within 48 hours. So, expenses are high – hence waiting on visa approval prior to booking MIQ.”

(ENGINEERING CONSULTANCY)

Current vacancies

Technical staff	Graduate or up to 4 years' experience	Experienced (5-10 years)	Managers or experienced (10+ years)	Specialist	Total vacancies
Engineers	249	350	160	78	3229
Architects	38	38	32	6	
Project/contract/construction managers	55	113	75	10	
Planners	16	47	13	3	
Land/quantity surveyors	25	53	20	6	
Valuers/cost managers	25	53	20	6	
Scientists	29	24	23	0	
CAD operators/draftspersons	18	50	13	0	
Technicians	30	68	8	41	
Health & safety people	11	17	5	0	
Team/site manager	37	73	26	22	
Trades people	172	192	76	56	
Plant operators (inc. cranes)	64	259	2	50	
Piler/driller/tunneler	11	3	0	0	
Other	31	398	2	10	
Totals by category	793	1693	461	282	
Percentage for each category	25%	52%	14%	9%	

“We don’t believe recruiting from overseas is ultimately the solution to the skills shortage in the construction industry in NZ. Hence we have heavily committed to training local apprentices and cadets ... Being able to easily recruit from overseas for the next say 2-3 years would help us to bridge the gap and our need to continue to recruit overseas would then steadily decrease.” (CONSTRUCTION COMPANY)

As well as concerns about project delivery, members are concerned about the health and wellbeing impacts for their people if these roles are not able to be filled soon, and are already reporting impacts including early exits from the sector.

There is a lack of confidence in the criteria and processes for bringing in overseas workers

Firms have always relied on the overseas market to supplement skills and resources not readily available in New Zealand. The need hasn’t changed with COVID-19 and has amplified with the ongoing and new investment in infrastructure. However, the ability to bring workers in from overseas has changed under current border restrictions.

81% of respondents would recruit more than 1% of their staff offshore in a normal year. Despite the pressures of current vacancies, **only 28% of respondents are currently actively recruiting offshore.**

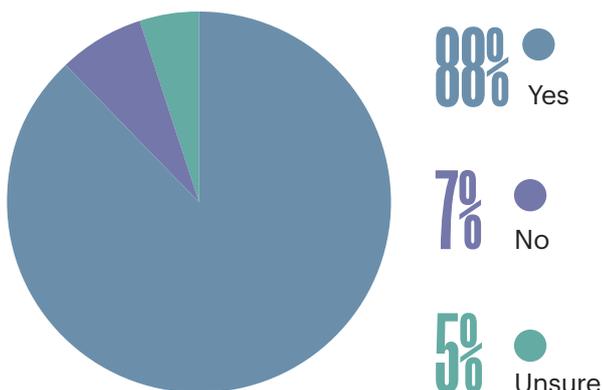
International recruitment and associated immigration processes require significant investment in time and resource. The cost to invest in recruiting offshore and proceeding through the border exception, visa and MIQ process is not balanced by a confidence by members that their efforts will result in a successful application.

Firms that would usually hire staff from offshore to supplement local talent are not actively recruiting offshore at the moment because the resources they need do not match current border exception criteria and the process is perceived as being too hard or taking too long.

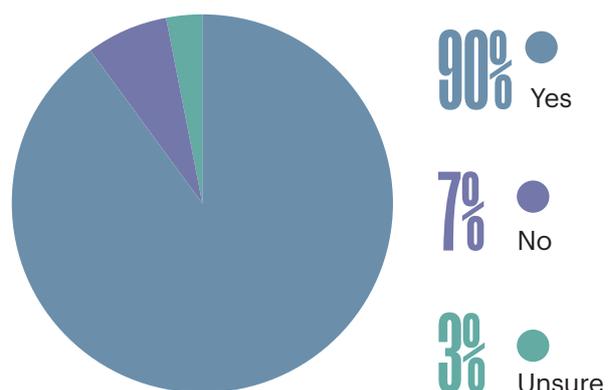
Of the respondents who are actively recruiting offshore, more than half decided not to proceed with an application for a border exception, because they found the process too difficult, challenging or complex, or they found the costs, time, and criteria prohibitive.

The talent challenge

Increased competition for New Zealand talent



Difficulty of hiring within New Zealand



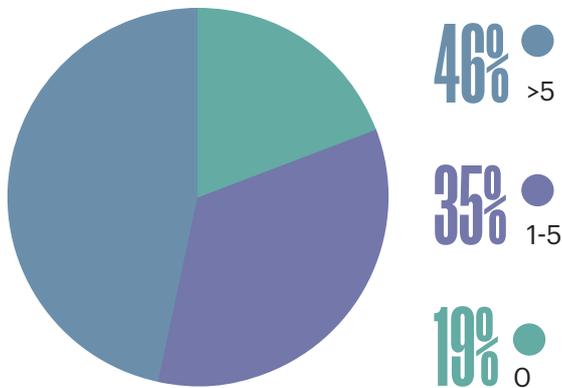
Waipapa Christchurch Hospital
Chow:Hill Architects, Warren and Mahoney
Architects and Thinc Architects



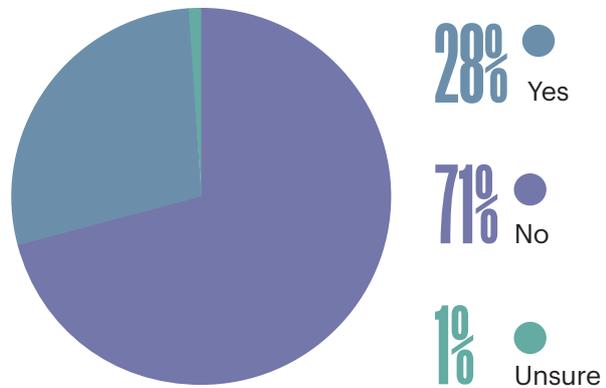


“We were rejected for a critical worker visa from Australia at the end of last year even though we require staff to help with a new \$200m school project in regional NZ and the applicant had good school experience. We contacted him again after the border had opened, but unfortunately he had taken up a new position in Australia. We are still looking to fill this role. It is harder to attract staff to a smaller region.” (ARCHITECTURE FIRM)

Potential new hires from offshore



Percentage of firms actively recruiting from offshore



- A quarter of current vacancies sit in the graduate to four years’ experience range, where the average salary does not meet the border exception salary threshold of \$106,080. Workers with up to four years’ experience play an important role in on-the-ground construction supervision. **In 67% of rejected applications the proposed salary was below the \$106,080 threshold.**
- Vacancies sit across large market sectors and programmes of work – regional and national, new build and maintenance and operations – but border exception criteria for long-term critical workers for the sector only allow entry for a government-approved programme or approved major infrastructure project. The focus on major projects does not meet the actual critical needs of our sector.

Of the 14 firms that did apply for a border exception to bring their workers to New Zealand, there were varying success rates. In all cases, the roles being filled had a salary band above \$107,000 and were mostly for managers with 10 or more years’ experience, or specialists.

Firms with less than 500 FTE were less successful in getting border exceptions. Yet the need for workers in these smaller firms is significant, with 1,225 vacancies (representing 38% of total vacancies reported) sitting within this cohort and close to 100% these firms experiencing difficulty recruiting to fill those positions within the current local market. These firms are of a size where they lack the resources to commit to resource-intensive border exception and visa application processes within the context

“I would suggest a more comprehensive list of infrastructure work that exemptions could be granted for is needed. Also that consideration should be given that senior people being given exemptions will help train and develop existing NZ employees in specialist areas.” (ENGINEERING FIRM)

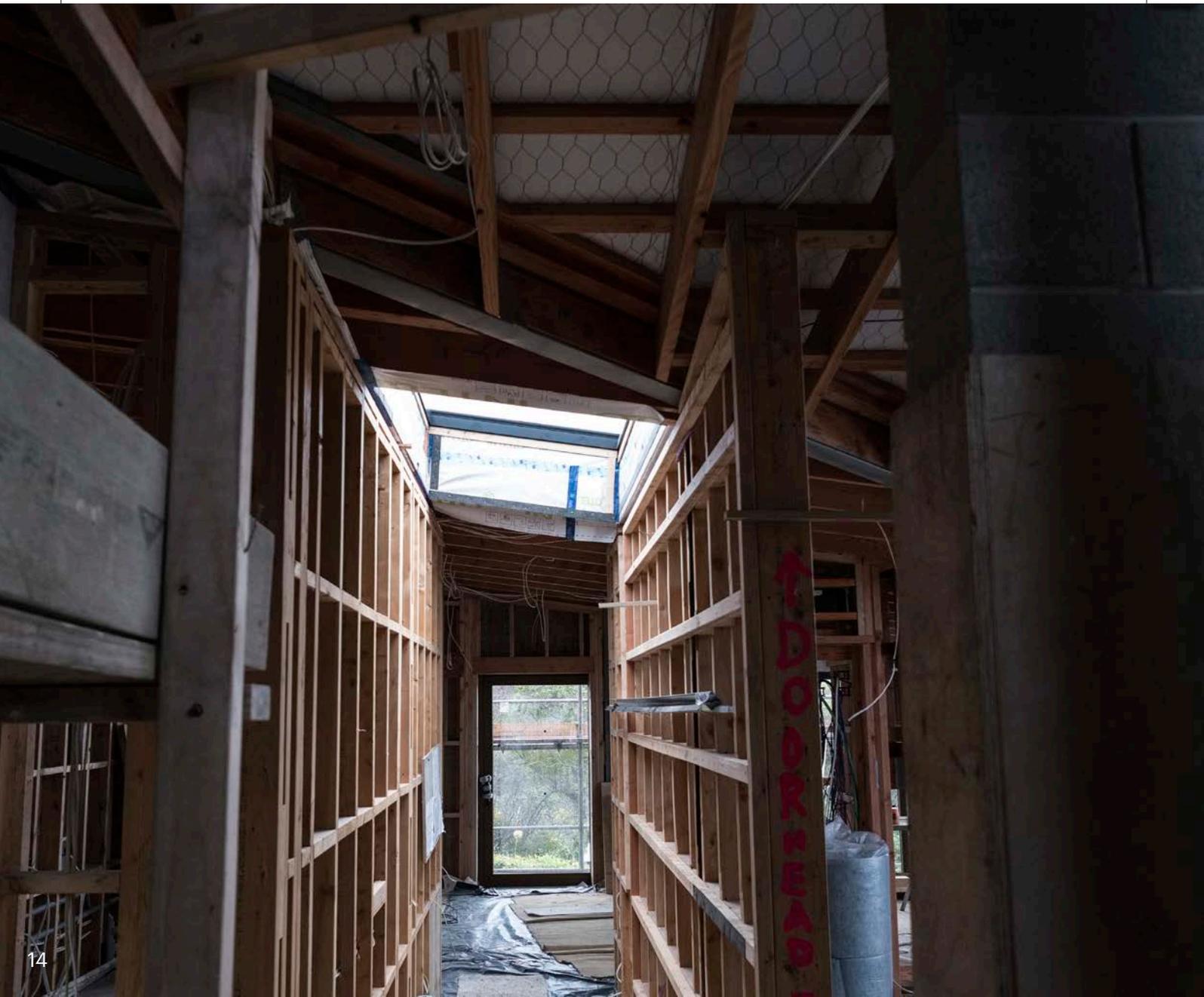
of border exception criteria that they do not have confidence they can meet, and are more constrained in meeting wage inflation demands. This means that smaller firms are being disproportionately impacted and experience a significant market impact from their inability to fill positions, which is not good for the sector or economy.

These challenges erode our members' confidence in engaging with the system. Members need greater assurance that their investment in the process will result in being able to bring workers into New Zealand. The process needs to be more streamlined, so not to drain on already stretched time and resources.

We need criteria that align with the skills needed

Large firms of more than 1000 FTE have greater success bringing workers in from overseas for Government approved projects, compared to projects or programmes of work that are not on the Government approved list. They also have more success bringing in staff for managerial and specialist roles that are paid above the current salary threshold.

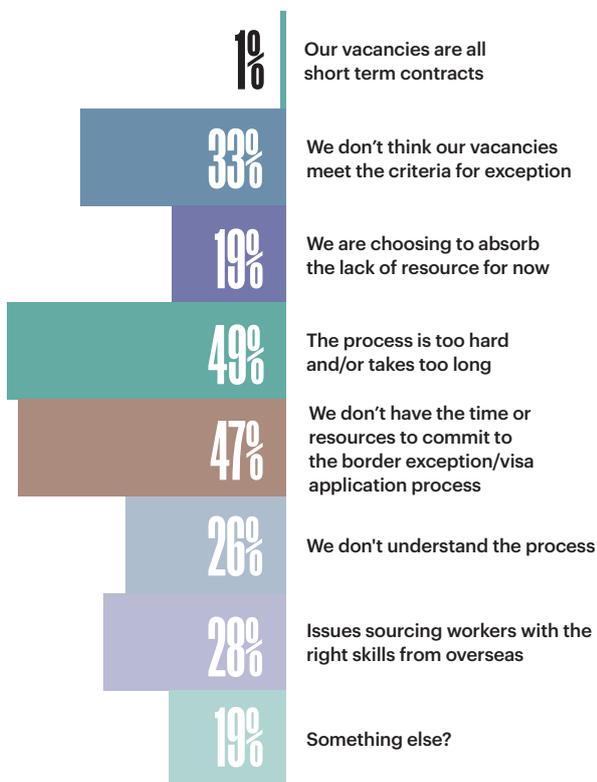
But survey results tell us that job vacancies within the construction sector are for a much broader range of workers on a broader range of projects and programmes, reflecting the breadth of infrastructure investment across both central and local government.



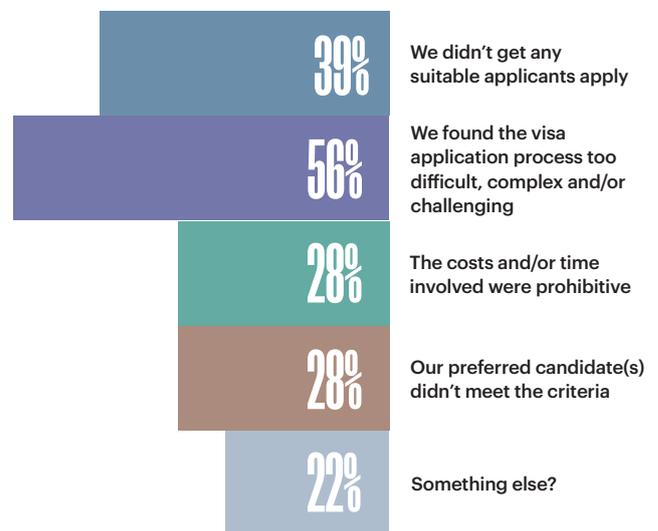
There is a misalignment between the border exception criteria – which are narrow and restricted to workers deemed essential for a government approved events, major government approved programmes, or approved major infrastructure projects (defined as projects worth over \$100m listed on the New Zealand Infrastructure Commission’s infrastructure pipeline) and/ or who have salaries higher than \$106,080 – **and the immediate needs of the sector**, where the work required to help deliver New Zealand’s infrastructure investment relates to broader projects and programmes of work, and many workers’ salaries sit below the threshold. The current border exception criteria only address a small subset of construction projects.

In contrast, the construction sector MIQ group allocation has a wider industry focus – including on the supply chain and regions – which is more suited to the sector’s needs. But members are unable to access the group allocation because they are being cut off at the first pass by narrow border exception criteria. Immigration NZ’s COVID-19 policies are out of step with the Government’s intentions. The entire infrastructure build programme, both public and private, is critical, as recognised by the reserving of MIQ places for engineers and consultants coming to work in all parts of construction, not just on specific projects.

Reasons for not actively recruiting offshore



Reasons for not pursuing a border exception



“We have lost 30% of our workforce due to head hunting and cannot replace them without offering higher [salaries] which is crippling the industry as labour costs are going through the roof by over 25% and climbing. The government needs to step in and do something and as an industry we need to be more active in discussing these issues with them.” (CONSTRUCTION COMPANY)

That’s why we are asking Government to review immigration settings to:

- align exception criteria for “long-term critical workers” for the infrastructure sector with the MIQ group allocation criteria,
- lower the salary threshold to a level aligned to those of the workers whose skills are in short supply,
- add construction sector professions and occupations to the list of approved classes of workers alongside dairy farm managers and assistants, shearers, etc. and
- improve levels of support from Immigration NZ for the sector and their applications for MIQ places and border exceptions (for example, nominated key sector contacts, guidance on application information, such as templates).

We need a more streamlined process

Survey results tell us that members find the border exception application process overwhelming, resource intensive and prohibitive. Members raised concerns about the time the process takes (on average **it takes two to three months to source information, submit the application and have it approved**) and said in some cases applications had to be submitted multiple times before being approved. The process needs to be clearer, simpler and easier to navigate, and members need help with the process. Members report long lead times for MIQ places, and say getting flights and MIQ spots to line up has been difficult and costly.

The construction sector needs Immigration NZ to take a more proactive approach to helping members make successful border exception and visa applications, through expert points of contact and guidance, such as template documents.

Conclusion

By increasing ease of access to essential overseas workers, the Government can support the construction sector to ensure current and proposed infrastructure investments across New Zealand will be delivered in a sustainable and timely manner.

ACE New Zealand

Helen Davidson
Chief Executive
e. helen@acenz.org.nz
m. 022 108 7167

Civil Contractors New Zealand

Peter Silcock
Chief Executive
e. peter@civilcontractors.co.nz
m.027 448 7036

New Zealand Institute of Architects

Teena Hale Pennington
Chief Executive
e. thalepennington@nzia.co.nz
m. 027 527 5273

Registered Master Builders Association

David Kelly
Chief Executive
e. david.kelly@masterbuilder.org.nz
m. 027 444 5559