



Labour Market Dynamics
Research Programme

Innovative research in employment

LABOUR DEMAND IN A TIGHT LABOUR MARKET: A SURVEY OF EMPLOYERS

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PREFACE

The Labour Market Dynamics Research Programme (LMDRP), funded by the New Zealand Foundation for Research, Science and Technology (FRST), is an interdisciplinary research project designed to explore and explain the impact of the increasing variability of employment pathways on workers and employers. Over the life of this five year 'Pathways to Sustainable Employment' (PASE) project a range of methodologies are being used to examine the way in which individuals understand and negotiate access to employment, and how employers obtain and manage labour, in an increasingly dynamic labour market. The project has two major components. Objective One investigates supply-side employment issues, in particular the way in which younger people (15-34 year olds) understand and negotiate access to employment. The first survey for Objective One has been completed (Dupuis, Inkson and McLaren, 2005) and the purpose of this survey was to gather base-line employment and other data from 966 participants aged between 15 and 34 years domiciled in four regional areas in New Zealand. Objective Two has a demand-side focus concentrating on the strategies and expectations of employers in organising labour supply and this report provides a descriptive analysis of the opinions of 170 employers in five industries (construction, education, hospitality, retail and manufacturing). Another key component of Objective Two, and contained in a separate report, is the increasingly important role Maori employers are playing in the economic arena, in part because of Treaty of Waitangi settlements. Consequently, a case study of 30 Maori employers has been completed in which very specific skills and employment needs are identified (Fitzgerald and McLaren, 2005).

INTRODUCTION

The forces of global competition and transformation in technology and work organisation have resulted in changed skill requirements (e.g. Maurin and Thesmar 2004, Machin and Van Reenen 1998, Machin 1996). The skill bias effect of organisational and technological change (e.g. Piva and Vivarelli 2004, Piva, Santarelli and Vivarelli 2005) coupled with demographic factors such as lower birth rates and workforce ageing, has brought in its wake various skills related issues, such as industry and regional skills imbalances and new expectations concerning training and education and international labour market recruitment. In New Zealand, the most important issue for employers surveyed between June and July 2005 (Business NZ Election Survey, 2005) was the skills shortage and the inability to get skilled staff. Contributing to this was insufficient apprenticeships, student loans driving skilled people overseas, the quality and relevance of tertiary education and the erratic flow of immigrants, among other factors.

Traditionally labour market interventions and labour market policies have focused on the supply-side of the labour market. Thus for instance, policies to actively assist those on social welfare benefits into employment or steer young people to employment pathways, place more emphasis on dealing with job seeker-related issues. In more recent times, however, the focus has shifted to demand-side factors. New issues and concerns have emerged or been re-emphasised including: are training and education providers meeting employer and industry requirements? What is the role of intermediaries, notably government agencies, in helping employers as opposed to primarily focusing on job-seekers? What information is available on local demand, current and in the future, and what are the employment and skills required by employers? Policy prescriptions and challenges also emerge from such a demand-side focus which is of research interest as well as of significance to the functioning of an efficient labour market.

Recent studies by members of the research team (see for example McLaren, Westbrook and Spoonley, 2004; McLaren, Maidment and Spoonley, 2004; McLaren and Spoonley, 2005a; 2005b) have focused on the demand-side and highlighted employer and sector concerns with what they perceived as disconnected education, training and employment assistance programmes and the misalignment of supply and demand. Employers and sector representatives saw various education/training and employment service agencies as having little understanding of contemporary skills and other requirements and that this mismatch has contributed to skill shortages. These findings are supported by the Department of Labour (2005) which reported that 45 per cent of firms are finding it difficult to locate skilled staff, 26 percent are having difficulty obtaining unskilled staff and 26 percent of businesses say that their lack of staff is one factor limiting their ability to expand.

In conjunction with significant economic growth and a low level of registered unemployment (among other factors mentioned above), the high demand for labour in all sectors in New Zealand has compounded the skills shortage. The small size of the domestic labour market and of some new economy industries places New Zealand at a competitive disadvantage when competing in the global labour market for skilled people. Of particular concern is that the lack of skilled workers is a more significant

problem for New Zealand businesses than for businesses in 23 other countries (*The Jobs Letter*, April 2005:3). Fifty percent of New Zealand firms indicated that a lack of skilled workers was their most significant barrier to expansion which contrasts with 44 percent of Australian firms, 34 percent of Canadian and UK firms and 26 percent of enterprises in the United States.

To further investigate these issues and to examine employment-related factors preventing employers from filling their staff requirements we have adapted the Employers Skill Survey (2002). This survey was designed to investigate the extent, causes and implications of skills deficiencies in England. The following issues are addressed in our survey:

- The extent to which employers face difficulties in recruitment and whether the lack of skills contribute to these difficulties;
- The main causes of skill deficiencies identified by employers and the consequences of these;
- Employers' perceptions of the skills gaps among those currently employed; and
- The relevance and effectiveness of education and training provision for their companies.

METHODOLOGY

One hundred and seventy employers in five industries across four regions of the North Island were interviewed for this research. In designing this survey we have drawn on the information obtained from the Objective One research findings of the Labour Market Dynamics research in which the five most common industries employing the 966 15 to 34 year olds in our survey were identified (Dupuis, Inkson and McLaren, 2005). Furthermore, the selection of the 170 employers provided an opportunity to match the understandings and behaviour of those on both the supply and demand sides of the labour market in four different regional labour markets (Auckland, Wanganui/Manawatu, Gisborne/East Coast and Wellington). These regions are the same as those selected for the Te Hoe Nuku Roa programme¹, so that there is compatibility and comparability between the two data sets and to ensure that a range of urban and regional labour markets are included. In addition, an important component of the research is the interviews held with 30 Maori employers, to identify their particular approaches to employment, desired employee characteristics and experiences as employers playing a much greater role in the economic arena, in part because of the Treaty of Waitangi settlements. These results are analysed in a separate report (Fitzgerald and McLaren, 2005). Maori capacity building in relation to future skills requirements is critically important. This is a significant focus in both the supply and demand driven objectives and has implications for Maori-owned businesses seeking to employ skilled Maori employees. It is intended that the future research components of Objective Two will build on the results of these surveys.

Data collection for the survey was carried out using the Computer Assisted Telephone Interview (CATI) interviewing system operated by Consumerlink, a private research company in Auckland. Interviews were carried out between 11th April and 3rd May 2005. We provided Consumerlink with a breakdown of industries and areas as follows:

Table 1: Sample

Region	Construction	Education	Hospitality	Manufacturing	Retail	Total	
						No.	% of sample
Auckland	10	10	10	10	10	50	29.4
Wellington	10	10	10	10	10	50	29.4
Manawatu/Wanganui	8	8	8	8	8	40	23.5
Gisborne	6	6	6	6	6	30	17.6
Total	34	34	34	34	34	170	100

¹ The Te Hoe Nuku Roa Programme (Te Pumanawa Hauora, Massey University) is a PGSF-funded Best Outcomes for Maori programme which is a longitudinal study of Maori households which involves a representative stratified random sample of 650 Maori households.

As the sample is small, it is not representative of employers in New Zealand. Instead, to enable comparison, the same number of employers in each industry sector was surveyed. To reflect greater population in the larger urban centres, we interviewed more employers in Auckland (50) and Wellington (50) followed by Manawatu/Wanganui (40) and Gisborne (30) employers.

A BACKGROUND TO ENTERPRISES

Thirty-four employers in each of the five industries were surveyed. These were identified as the main industry sectors employing the young New Zealanders participating in the related research of this LMDRP (Dupuis et al., 2005). A breakdown appears below together with information on whether they are exporting goods or services or not.

Table 2: Industry by Exporting Goods and Services

Industry	No.	Exporting goods or services	
		No.	% within industry
Construction	34	3	8.8
Education	34	1	2.9
Accommodation/cafes/restaurants	34	0	0
Manufacturing	34	10	29.4
Retail	34	1	2.9
Total	170	15	8.8

Only 8.8 percent (15 employers) exported services or products. This is a reflection of the industry profiles in this survey with construction, education, hospitality and retail not traditional exporters of good and services. Almost 30 percent of employers in the manufacturing industry were exporters. Just over one-quarter of the employers interviewed conducted their businesses in more than one location with Auckland generating the most business (10.6 percent) followed by Wellington at 7.6 percent.

For this report, responses are aggregated as well as analysed by industry sector, region or by the number of full-time employees. The size of the enterprises we surveyed did not fit the profile of New Zealand's business community as we did not seek a representative sample. In this survey, businesses with less than five employees, the overwhelming numerical majority of all businesses in New Zealand, are under-represented. New Zealand is a nation of small firms with 86 percent of enterprises employing 5 or fewer FTEs, 96.8 percent employ 19 or fewer FTEs and 20 percent do not employ anyone (www.med.govt.nz/irdev/ind_dev/smes/2004/2004-03.html). Following the Ministry of Economic Development's definition of small, medium and large enterprises,² we interviewed employers in 56 micro-enterprises, 59 small, 20 medium and 35 large organisations. A note of caution, however. These figures should

² The definition of SMEs varies across countries and within countries. Differentiation is often on the basis of the numbers of full-time equivalent (FTE) employees. In New Zealand, small firms are those with fewer than 50 FTEs and large firms have more than 100 according to Cameron and Massey (1999), yet government agencies (e.g. Ministry of Economic Development) often define 'small' firms as those with 6-19.5 FTEs, 'medium' firms are those with 20-49.5 FTEs and 'large' firms 50 and more employees. Micro enterprises are those with less than 6 employees. Large firms comprise only around one percent of total firms, according to the latter classification. For purposes of this study, we use the latter SME definition.

be used as a guide only as they are based on full-time employees only and exclude part-time and temporary staff.

One of the difficulties when asking employers about the number of people employed concerns the nature of the employment relationship; that is, whether employees are permanent or temporary. We can no longer take it for granted that people work for a single employer with the assumption of ongoing employment as there is an increasing trend towards self-employment, casual, fixed-term and seasonal employment (McLaren et al., 2004; Spoonley, Dupuis and de Bruin, 2004). To get some sense of the temporary working arrangements in the enterprises and industries surveyed, we distinguish between permanent full-time, permanent part-time employees and temporary employees. It is difficult to get exact numbers concerning the types of employment relationships because of the transient nature of many of these employees and the seasonal arrangements of industries such as hospitality where the employment of non-standard workers can increase at certain times of the year. The table below gives us a guide of the types of employment relationships that exist in the companies surveyed and indicates that temporary working arrangements are prevalent in almost 30 percent of the businesses surveyed. Seventy-two percent reported employing part-time workers. In the remaining analysis we will confine reporting of industry size to full-time permanent employees only.

Table 3: Employment: Number of Employees

No. of full-time employees	PERMANENT				TEMPORARY	
	Full-time (30 hrs or more per week)		Part-time (less than 30 hrs per week)		Casual/fixed-term/seasonal	
	No.	%	No.	%	No.	%
None	-	-	48	28.2	120	70.6
1-5	56	32.9	58	34.1	10	5.9
6-9	22	12.9	16	9.4	11	6.5
10-20	37	21.8	28	16.5	17	10
21-49	20	11.8	8	4.7	7	4.1
50-99	15	8.8	3	1.8	4	2.4
Over 100	20	11.8	9	5.3	1	.6
Total	170	100	170	100	170	100

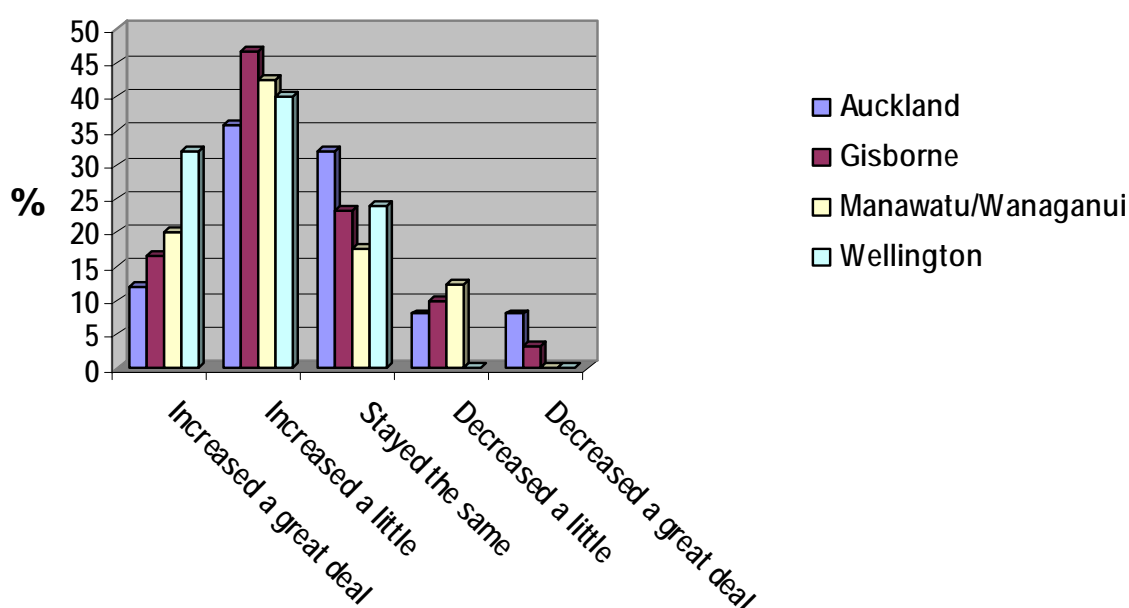
We asked employers to describe their business ownership arrangements and this is summarised in Table 4 below. As this question allowed for multiple responses, several employers reported more than one type of ownership form. The largest group of employers (30.2 percent) were registered as private companies, 19 percent as limited liability companies and 14.3 percent were family-owned businesses.

Table 4: Forms of Ownership

Form of Ownership	No.	%
Private Company	57	30.2
Limited liability	36	19
Family Owned	27	14.3
Government organization	16	8.5
NZ Publicly listed company	15	7.9
Not for profit organization	14	7.4
Partnership	14	7.4
Overseas publicly listed company	6	3.2
Franchise	1	.5
Don't know	1	.5
Total	189	100

To gauge the level and buoyancy of economic activity amongst the companies surveyed, especially in relation to New Zealand's recent economic expansion, employers were asked whether their volume of business had increased, stayed the same or decreased over the last twelve months. As Table 5 below shows, the majority of companies reported an increase in the volume of business over the last year. This did, however, differ across regions.

Figure 1: Volume of Business in the Last 12 Months by Region



The figure above shows that none of the employers in Wellington reported a decline in their volume of business over the last year with 72 percent suggesting that volume of business had grown compared with 48 percent of employers in Auckland, 62.5 percent in Manawatu/Wanganui and 63.4 percent in Gisborne. The greatest number of employers in Auckland (32 percent) suggested that there had been no change. Table 5 below breaks volume of business down into the size of companies by full-time employees.

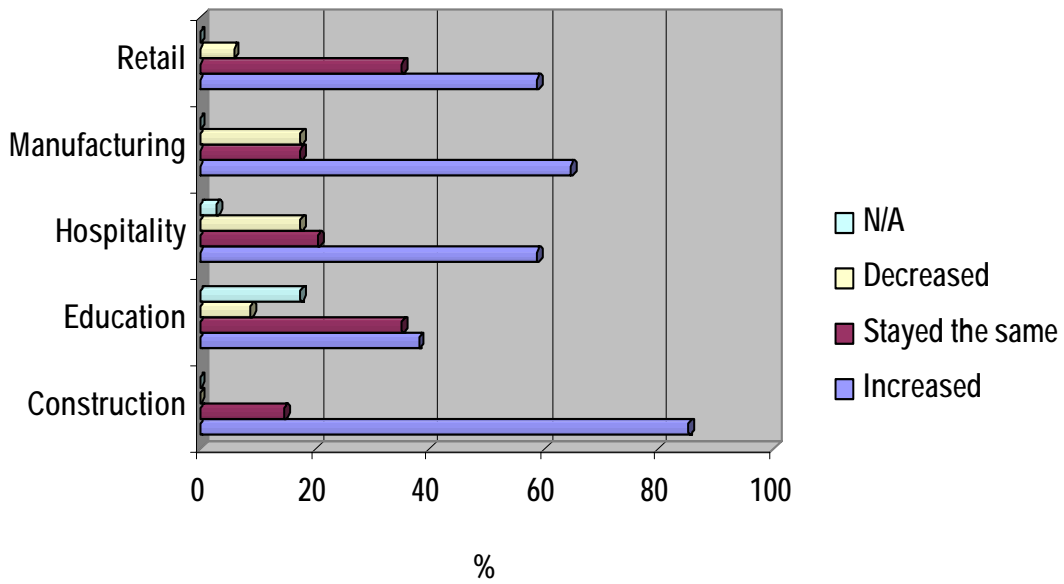
Table 5: Volume of Business by Enterprise Size (Full-time Employees)

No. of full-time employees	Volume of business in the last 12 months						N/A School	Total
	Increased a great deal	Increased a little	Stayed the same	Decreased a little	Decreased a great deal			
1-5	No.	10	20	15	9	1	1	56
	%	17.9	35.7	26.8	16.1	1.8	1.8	100.0
6-9	No.	5	8	7	0	2	0	22
	%	22.7	36.4	31.8	.0	9.1	.0	100.0
10-20	No.	9	14	9	2	0	3	37
	%	24.3	37.8	24.3	5.4	.0	8.1	100.0
21-49	No.	4	7	6	1	1	1	20
	%	20.0	35.0	30.0	5.0	5.0	5.0	100.0
50-99	No.	4	8	2	0	0	1	15
	%	26.7	53.3	13.3	.0	.0	6.7	100.0
over 100	No.	3	12	3	0	1	1	20
	%	15.0	60.0	15.0	.0	5.0	5.0	100.0
Total	No.	35	69	42	12	5	7	170
	%	20.6	40.6	24.7	7.1	2.9	4.1	100.0

Over 60 percent of employers reported that their volume of business had increased, 20.6 percent of those by a great deal. This was particularly relevant to larger organisations where 80 percent of those employing 50 – 99 employees reported an increase in the volume of business and three-quarters of the employers with more than 100 employees reporting an increase. The smallest increase in volume of business was those employers with five or fewer employees – not surprisingly, they also reported the greatest decline (17.9 percent).

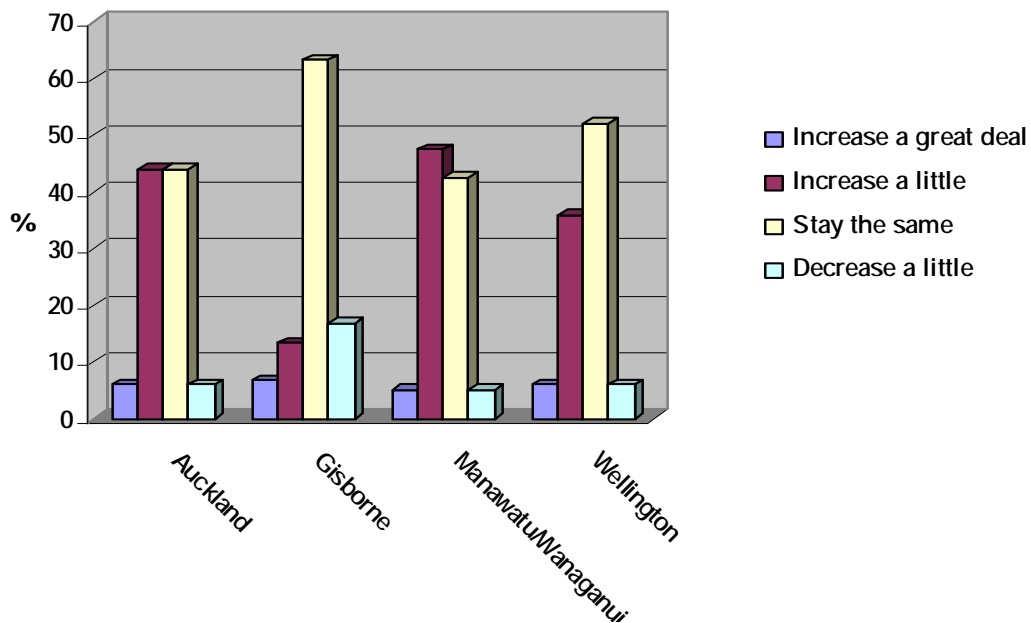
The figure below provides an overview of the volumes of business in the last 12 months by industry and shows that employers in the construction industry followed by manufacturers showed the greatest increase. However, employers in the manufacturing and hospitality sectors reported the largest decline. No business in the construction industry had any reduction in the volume of business in the last year.

Figure 2: Volume of Business over the Past 12 Months by Industry



To estimate business confidence in the next 12 months, and the effect that the widely reported national skills shortages might have on employers, they were asked what their employment expectations in the next year might be. This is summarised in Figure 3 below.

Figure 3: Employment Expectations in the Next 12 Months by Region



Employers in Gisborne were the least confident about increasing employment levels in their businesses over the next 12 months (20 percent) with 63.3 percent suggesting that employment levels would stay the same and 16.7 that employment would decline. Half the employers in Auckland, 52.2 percent in Wellington and 42 percent of employers in the Manawatu anticipated an increase in employment levels. In spite of 72 percent of Wellington employers reporting an increase in business over the last 12 months, over half expected employment levels to remain unchanged in the next year.

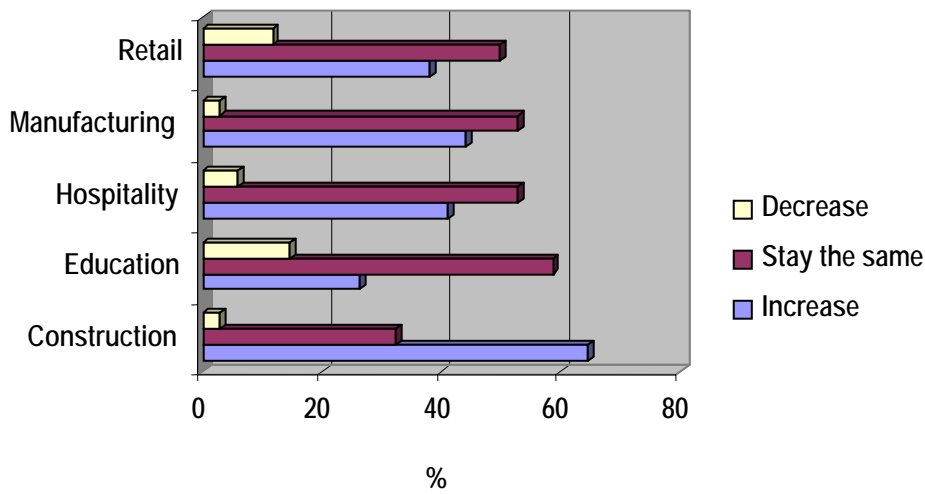
Table 6: Employment Expectations in the Next 12 Months by Size

No. of full-time employees		Employment expectations in the next 12 months				
		Increase a great deal	Increase a little	Stay the same	Decrease a little	Total
1-5	No.	3	22	30	1	56
	%	5.4	39.3	53.6	1.8	100.0
6-9	No.	2	7	9	4	22
	%	9.1	31.8	40.9	18.2	100.0
10-20	No.	1	12	20	4	37
	%	2.7	32.4	54.1	10.8	100.0
21-49	No.	2	7	9	2	20
	%	10.0	35.0	45.0	10.0	100.0
50-99	No.	1	5	7	2	15
	%	6.7	33.3	46.7	13.3	100.0
over 100	No.	1	10	9	0	20
	%	5.0	50.0	45.0	.0	100.0
Total	No.	10	10	63	84	13
	%	5.9	5.9	37.1	49.4	7.6

In terms of employment expectations, companies employing between 10 and 21 employees were least optimistic about employment growth in the coming year (35.1 percent) and 55 percent of large organisations (100 plus employees) suggested that employment levels would increase in their organizations.

Once again, when analysing employment expectations by industry, construction companies were the most positive about employment growth and the least optimistic were employers in education. Around 50 percent of the employers in retail, manufacturing and hospitality suggested that employment levels would stay the same. The figure below gives a breakdown of this by industry grouping.

Figure 4: Employment Expectations in the Next 12 Months by Industry



It is interesting to compare volume of business in the last 12 months with employment expectations in the next 12 months across the five industries. From Table 7 below it is evident that whereas 32.4 percent of employers in the construction industry reported a significant increase in volume, only 8.8 percent expected that employment would increase a great deal. Similar observations can be made about the other industries surveyed.

Table 7: Volume of Business over the Past Year and Employment Expectations for the Next Year by Industry

VOLUME	Construction %		Education %		Hospitality %		Manufacturing %		Retail %		Total	
	Vol.	Expect.	Vol.	Expect.	Vol.	Expect.	Vol.	Expect.	Vol.	Expect.	Vol.	Expect.
Increase/d a great deal	32.4	8.8	20.6	2.9	17.6	11.8	14.7	2.9	17.6	2.9	20.6	5.9
Increase/d a little	52.9	55.9	17.6	23.5	41.2	29.4	50	41.2	41.2	35.3	40.6	37.1
Stay/ed the same	14.7	32.4	35.3	58.8	20.6	52.9	17.6	52.9	35.3	50	24.7	49.4
Decrease/d a little	0	2.9	2.9	14.7	14.7	5.9	14.7	2.9	2.9	11.8	7.1	7.6
Decrease/d a great deal	0	0	5.9	0	2.9	0	2.9	0	2.9	0	2.9	0
Not applicable	0	-	17.6	-	2.9	-	0	-	0	-	4.1	-

The aggregated numbers are interesting. Almost half of all employers surveyed suggested that employment levels would stay the same in the next year whereas only 24.7 percent reported that their volume of business had remained unchanged in the previous year. However, only 7.6 percent of employers who took part in this survey anticipated that employment levels would decline.

In the following section we examine current vacancies and positions that are generally difficult to fill.

RECRUITMENT AND VACANCIES

Before probing the nature, extent and impact of employee vacancies we sought information on recruitment of new employees.

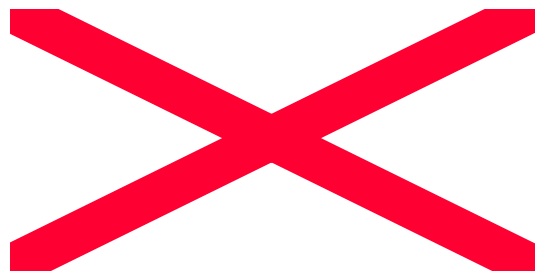
Source of New Employees

Employers were asked about their main source of new employees. Since multiple responses were possible, there were 312 responses from the 170 employers surveyed. Figure 5 provides an industry breakdown of these responses.

Employees sourced from other enterprises (includes 'poaching') is common across all industry sectors and accounted for 28 percent of responses. For the construction industry, by far the most important source for employees was other organisations, with 74 percent of employers in the sector identifying this as an important source. As to be expected, the tertiary sector requires and was the largest employer of tertiary trained people though for the accommodation sector, this was also an important source (26 percent). Tertiary trained workers were least important as a source of new employees in the construction industry. School leavers were most in demand in service industries – accommodation, cafes and restaurants (41 percent) and retail trade (38 percent). As a respondent from the former sector stressed, a major solution to the skills shortage in this industry was to 'hire people on attitude, and then teach skills'. Women returning to the workforce were a relatively important source for the hospitality sector (29 percent) and the education industry (24 percent), contrasting with the construction sector where this source of employees was quite unimportant (6 percent). Older workers, however, were most popular in the construction industry (21 percent), and least important to the education sector (12 percent).

Migrant workers were also major source of employees, with migrants featuring prominently not only in the hospitality and retailing sectors but also as important to manufacturing. Other LMDRP studies too have highlighted the role of migrants (see McLaren and Spoonley, 2004, 2005; de Bruin and Plester, 2004).

Figure 5: Employee Source by Industry



Current Vacancies

The majority (53 percent) of the 170 employers interviewed currently had vacancies in their businesses. Prior to an examination of the nature of these vacancies, it is useful to delve further into the businesses which recorded no current vacancies.

Table 8 below shows that the education sector had the highest no-vacancy level. Employers in this sector include schools and tertiary level educational establishments with the majority of employees comprising academic and teaching staff. Since the survey was carried out when these businesses were well into the academic teaching year and possibly given relatively lower staff turnover levels in this sector, low vacancy levels were not unsurprising. A surprising result was the relatively high no-vacancy level in businesses in other industries such as the construction and manufacturing sectors, especially in light of the recent highlighting of industry skills shortages in the popular press, media and other studies (see e.g. Bennett 2005, O’Sullivan and Inder, 2005; Inder, 2005; The Jobs Letter, April 2005: 3).

Table 8: Vacancies by Industry

		Vacancies in business		Total
		Yes	No	
Construction	No.	18	16	34
	%	52.9	47.1%	100.0
Education	No.	10	24	34
	%	29.4	70.6	100.0
Accommodation, cafes and restaurants	No.	22	12	34
	%	64.7	35.3	100.0
Manufacturing	No.	16	18	34
	%	47.1	52.9	100.0
Retail trade	No.	14	20	34
	%	41.2	58.8	100.0
Total	No.	80	90	170
	%	47.1	52.9	100.0

The state of growth of the industry impacts strongly on labour demand. Recent firm expansion as well as future growth expectations has implications for labour demand at the industry and firm levels and consequently job vacancies. As indicated earlier in Table 7, over the last 12 months volume of business in the construction industry was relatively higher than in other industries. In fact, 32 percent of construction businesses had business increased a great deal, well in excess of the industry average of 20.6 percent. Employment expectations in the next 12 months are also high (see Figure 4). Given this buoyancy in the construction industry therefore, the high no-vacancy levels in businesses in this industry do appear rather paradoxical.

A closer look at no-vacancy levels across firm size and industry, as shown in Table 9 reveals that 12 (35 percent) of 34 of businesses in the construction industry that were surveyed were micro businesses with one to five employees. Of these 83 percent (10) reported having no current vacancies. By contrast, all the large firms in the industry with 50 or more full-time employees had current vacancies in their firms. Generally, larger firms across all the industry sectors had a high incidence of current vacancies. This is in line with the media reported concerns of skills shortages. For instance, 90 chief executives and chairmen from New Zealand's largest companies ranked the skills shortage as the economic factor of most concern in their workplaces (O'Sullivan and Inder, 2005).

Table 9: Vacancies Across Size of Business (Full-time Employees and Industry)

Vacancy	No. of full-time employees		Industry					Total
			Construction	Education	Hospitality	Manufacturing	Retail	
Yes	1-5	No.	2	0	9	2	3	16
		%	11.1	.0	40.9	12.5	21.4	20.0
	6-9	No.	1	1	5	3	2	12
		%	5.6	10.0	22.7	18.8	14.3	15.0
	10-20	No.	5	2	3	2	4	16
		%	27.8	20.0	13.6	12.5	28.6	20.0
	21-49	No.	3	1	2	4	1	11
		%	16.7	10.0	9.1	25.0	7.1	13.8
	50-99	No.	1	2	2	2	1	8
		%	5.6	20.0	9.1	12.5	7.1	10.0
	over 100	No.	6	4	1	3	3	17
		%	33.3	40.0	4.5	18.8	21.4	21.3
	Total	No.	18	10	22	16	14	80
		%	100.0	100.0	100.0	100.0	100.0	100.0
No	1-5	No.	10	6	9	7	8	40
		%	62.5	25.0	75.0	38.9	40.0	44.4
	6-9	No.	3	1	1	1	4	10
		%	18.8	4.2	8.3	5.6	20.0	11.1
	10-20	No.	1	8	1	7	4	21
		%	6.3	33.3	8.3	38.9	20.0	23.3
	21-49	No.	2	6	0	0	1	9
		%	12.5	25.0	.0	.0	5.0	10.0
	50-99	No.	0	3	1	2	1	7
		%	.0	12.5	8.3	11.1	5.0	7.8
	over 100	No.	0	0	0	1	2	3
		%	.0	.0	.0	5.6	10.0	3.3
	Total	No.	16	24	12	18	20	90
		%	100.0	100.0	100.0	100.0	100.0	100.0

Among the 170 employers surveyed, vacancy levels were highest in the accommodation, cafes and restaurants sector (65 percent), with the more trade and vocational biased construction and manufacturing industries with a high number of vacancies. These industries accounted for 53 percent and 47 percent of vacancies respectively. Vacancies were also high in retail trade (41percent).

Table 10: Vacancies by Region

Industry		Vacancies in business		Total
		Yes	No	
Auckland	No.	25	25	50
	%	50.0	50.0	100.0
Gisborne	No.	10	20	30
	%	33.3	66.7	100.0
Manawatu/Wanaganui	No.	17	23	40
	%	42.5	57.5	100.0
Wellington	No.	28	22	50
	%	56.0	44.0	100.0
Total	No.	80	90	170
	%	47.1	52.9	100.0

The table above indicates that half the employers in our sample from Auckland had vacancies, one-third in Gisborne, 42.5 percent in the Manawatu/Wanaganui region and 56 percent in Wellington. This profile is slightly different to the Job Vacancy Monitor (Department of Labour, August 2005) which shows that the growth in vacancies across regions in the last year was highest for Wellington (19 percent), followed by Manawatu/Wanganui (15 percent), Auckland (8 percent) and Gisborne (6 percent).

Appendix One lists the types of jobs that were vacant at the time of the interviews – it does not indicate exact numbers but rather the positions that they are in. These are classified according to the Statistics New Zealand Classification of Occupations 1999 at the three digit level.

In the next section, we focus on positions that are generally difficult to fill as these give a good indication of the skills shortages identified by employers.

Hard-to-fill Positions

Information on hard-to-fill positions gives a clearer picture of whether vacancies are related to the normal functioning and friction of the labour market or if they are more problematic and persistent. In this section, we therefore focus on these difficult-to-fill vacancies. Fifty-five percent (94 of 170) of businesses had positions that they generally found difficult to fill.

Distinctions in terminology are not always clear-cut. The approach we use in the Labour Market Dynamics Research Programme is to take note of terminology of the New Zealand Department of Labour (2005) which is in line with United Kingdom practice. Thus ‘skills shortages’ occur when employers have considerable difficulty filling their vacancies because there are insufficient job seekers with the required skills; ‘skills gaps’ occur when employers only find people who have some, but not all, of the skills required; and ‘recruitment difficulties’ occur when there are enough job seekers with the required skills but they are unwilling to take up the work that is on offer. ‘Hard-to-fill vacancies’ is yet another distinction that might be made. According to the Employers Skill Survey (Felstead, 2002:171), hard-to-fill vacancies are not only equated with skills shortages, but rather can be distinguished between those that are skill-related and those that can be attributed to company-specific factors such as the industry, unattractive rates of pay or conditions of employment.

Nature of Current and Hard-to-fill Positions

Table 11 shows that although current vacancies were highest in the service/sales occupations (23.2 percent), these vacancies were not necessarily more persistent and in general difficult to fill. Only 18.1 percent of the vacancies reported were considered hard-to-fill. Many of such vacancies would be for chefs (8 of the 22 responses in this category identified chefs as hard to find) and salespersons/demonstrators (7 of the 22 responses).

Table 11: Current and Hard-to-fill Positions

Occupational Group	Current Vacancies (n=79)			Hard-to-fill Vacancies (n=94)		
	No.	% of Responses	% of Employers	No.	% of Responses	% of Employers
Legislator/administrator/manager	6	4.8	4.8	9	7.3	9.6
Professional	13	10.4	16.4	18	14.6	19.1
Associate professionals	13	10.4	16.4	12	9.8	10.5
Clerical	16	12.8	20.2	3	2.4	3.2
Service and sales	29	23.2	36.7	22	17.9	23.4
Agriculture/horticulture/forestry	2	1.6	2.5	3	2.4	3.2
Trades	19	15.2	24.1	37	30.0	39.3
Machine operator	10	8	12.6	7	5.7	7.4
Elementary	13	10.4	16.4	7	5.7	7.4
Missing	4	3.2	5.1	5	4.0	3.2
Total	125	100		123	100	

Within the hard-to-fill vacancies category, trades-based occupations (i.e. those requiring a trade certification or other vocational qualification) were identified as the majority of these vacancies. Close to a third (37 or 30 percent) of these hard-to-fill positions were in this trades occupational group. Of these, when they were trades specified by employers, the most common occupations identified as hard-to-fill were those in the construction industry. Building finishers and related trades together with building and related trades accounted for 8.1 percent of total responses which was similar to that of the unspecified trades category. Appendix Two lists the occupations identified as generally difficult to fill.

Table 11 also shows professionals were identified as a hard-to-fill category. These professional positions comprised 7.3 percent of the responses and were mainly various teaching related positions and accounted for 15 of the 18 responses in this category. Of course, these teaching related positions were all identified by employers in the education sector.

Duration

The length of time these hard-to-fill positions persisted is also of interest. The majority (69 percent of the 123 responses) indicated that the vacancies were for less than 6 months. Ongoing vacancies are of concern and 22 percent were in this category. There were two vacant positions that had persisted for over a year. One was in service and sales and the other was a trades position.

Table 12: Length of Time Employers had Positions Difficult to Fill

Duration	No.	% of Employers (n=93)
Less than 6 months	84	90.4
Over 6 months and less than one year	10	10.6
Over one year	2	2.1
Ongoing	27	28.7
Total	123	

Regional Spread

Table 13 below gives the regional distribution of hard-to-fill positions identified by employers. We note that while the vacancies in the trades were high across all regions, they were highest in the Gisborne region with 54 percent of employers in the area indicating vacancies in this occupational group. In service and sales, on the other hand, it was Wellington that had the highest vacancy level which was 10 percent higher than Auckland's 21 percent which was the lowest regional level in this group. By contrast in the professional group, Auckland's difficult to fill positions were the highest among the regions.

Table 13: Regional Spread of Hard-to-fill Positions

Occupational Group	Auckland		Wellington		Manawatu/Wanaganui		Gisborne	
	No.	% of Employers	No.	% of Employers	No.	% of Employers	No.	% of Employers
Legislator/administrator/manager	1	4.2	5	17.2	2	7.4	1	7.7
Professional	6	25.0	5	17.2	5	18.5	2	15.4
Associate professionals	2	8.3	4	13.8	2	7.4	3	23.1
Clerical	1	4.2	2	6.9	0	0	0	0
Service and sales	5	20.8	9	31.0	7	25.9	1	7.7
Agriculture/horticulture/forestry	2	8.3	0	0	1	3.7	0	0
Trades	11	45.8	9	31.0	10	37.0	7	53.8
Machine operator	0	0	3	10.3	3	11.1	1	7.7
Elementary	3	12.5	1	3.4	5	18.5	1	7.7
Total no. of employers in area	24		29		27		13	

Causes of Hard-to-fill positions

Employers were questioned on what they thought were the causes of the hard-to-fill vacancies they had identified. The low number of applicants generally, was most commonly given as a main cause by respondents across all the industries surveyed. Fifty-five percent of employers cited this as a main cause, with 71 percent of employers from the education sector giving this as a main cause. Not enough people interested in doing the job associated with the hard-to-fill position was a reason that featured highly among employers responding to this question (40 percent). This lack of interest in the position was indicated mainly in the construction (34 percent) and hospitality (29 percent) sectors. These main causes are fairly similar to each other and taken together they comprised 35 percent of the total 255 responses.

The low number of applicants with the required attitude, motivation or personality was also a major cause given by employers as to why positions were hard-to-fill. Thirty-six percent of the 94 employers who responded to this question gave this as a main concern. Sixty-eight percent of employers in the hospitality industry gave this as a main reason. Another important cause (for 38 percent of employers) why positions

were difficult to fill was a lack of qualifications deemed appropriate by the company for the vacancy. The lack of work experience that fitted with company needs and demands was also a major cause of hard-to-fill positions for employers (31 percent).

Among reasons given why positions were hard-to-fill, unsatisfactory terms and conditions of employment was a prime cause for 15 percent of employers, with these mainly in the education and the hospitality sectors. Of those employers who indicated this as a main cause, 50 percent came from the education industry and 36 percent were employers in the accommodation, café and restaurant category. In the construction sector, however, this reason did not feature at all. Instead, construction industry employers (40 percent) featured the 'too much competition from other employers' prominently in their causes for hard-to-fill positions. The latter was a reason given by 21 percent of the employers who responded to the question.

Skills Lacking in Applicants

Our research showed that employers value and place emphasis on more general skills such as team working skills, as well as other skills such as basic numeracy and literacy skills, in addition to the ability to communicate and problem-solve. Personal attributes such as good attitude, reliability and work ethic are also important and workers must be adaptable and flexible.

The employers we sampled were questioned on the particular skills that they found difficult to obtain from applicants, which we interpret here as a proxy for skills that firms demand. As Table 14 shows, IT and software skills and other technical and practical skills together accounted for 23.8 percent of responses. Other more general and life skills also featured strongly in the responses. The inadequacy of 'personal characteristics' and a lack of literacy, oral communication and numeracy skills and work ethic together made up 32 percent of responses. Together with team-working and problem solving skills, more general skills therefore comprised 46.2 percent of responses.

Table 14: Difficult to Obtain Skills

Skills	No.	% of Responses	% of Employers (n=94)
Other technical or practical skills	56	18.5	59.6
Personal characteristics (incl. work ethic/reliability etc.)	42	12.5	44.7
Customer service skills	30	9.9	31.9
Oral communication skills	27	8.9	28.7
Problem solving skills	22	7.3	23.4
Team working skills	21	6.9	22.3
Management skills	18	5.9	19.1
IT or software skills	16	5.3	17.0
Literacy	15	5.0	16.0
Qualified for job	14	4.6	14.9
Numeracy	13	4.3	13.8
Experience	11	3.6	11.7
Other	18	5.9	19.1
Total	303	100.0	

It is interesting that the lack of IT and software skills scored a low 5 percent in terms of responses, which contradicts a commonly held perception that such skills are essential and possibly in short supply in New Zealand's move from a commodity based to a knowledge economy. However, this result might be explained not only by the nature of the industry sectors surveyed but also by the heterogeneity of skills within broad skills groupings.

Impact on the Company

In an open-ended question, employers were asked about the impact they thought hard-to-fill positions have on their business. Their responses are summarised in the table below.

Table 15: The Impact of Hard-to-Fill Positions on Employers

Impact	% of Employers											
	Construction		Education		Hospitality		Manufacturing		Retail		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
More pressure/stress for existing staff	10	29.4	9	26.5	9	26.5	6	18.2	10	29.4	44	26.0
Not providing service/	2	5.9	6	17.6	4	11.8	0	0	1	2.9	13	7.7
Restricts expansion	5	14.7	0	0	1	2.9	5	15.2	1	2.9	12	7.1
Affects work taken on/	4	11.8	1	2.9	1	2.9	4	12.1	1	2.9	11	6.5
Loss of revenue/business	4	11.8	0	0	2	5.9	2	6.1	2	5.9	10	5.9
Implication for	3	8.8	0	0	1	2.9	4	12.1	1	2.9	9	5.3
Not much	5	14.7	0	0	1	2.9	1	3.0	1	2.9	8	4.7
Affects productivity	2	5.9	0	0	0	0	1	3.0	1	2.9	4	2.4
Affects morale/unsettling	1	2.9	1	2.9	2	5.9	0	0	0	0	4	2.4
General (including	0	0	1	2.9	1	2.9	1	3.0	1	2.9	4	2.4
Need to increase training	1	2.9	2	5.9	0	0	0	0	0	0	3	1.8
Other	4	11.8	6	17.6	3	8.8	1	3.0	1	2.9	15	8.9
Total	25		17		18		17		16		93	

Of the 169 responses, the predominant impact (44 responses) cited across all the industries related to the business being put under more pressure and stress. Especially in the education sector, an impact was that service was not provided. Business expansion was affected mainly in the construction and manufacturing industries with 10 of the 12 responses citing this impact from business in these sectors. Many of the grouped responses are similar or linked impacts. Thus for instance, the loss of revenue and business response of enterprises in the construction industry could be linked to the growth obstacles experienced on account of the difficulty in obtaining people to fill certain positions. Interestingly only four responses related to productivity, with two of these being suggested by employers in the construction industry. Eight employers believed that the vacancies had not much impact on their firms and these were mainly in the construction industry. There were miscellaneous impact statements made which are grouped as ‘other’ in the table. A couple of these responses are cited below.

It affects our business because we need ongoing training of young people to replace the older tradesmen who are moving on or retiring from the trade. (Building and Construction industry, Manawatu/Wanganui)

If a full-time pharmacist is not found the business will have to close down and this has happened around New Zealand. (Retail industry, Manawatu/Wanganui)

This employer continued that the government did not understand what pharmacists did and treated them as retailers rather than recognising them for the professionals they are.

Strategies to Retain Current Employees

Employers were asked about their strategies to retain current staff. Since multiple responses were possible, there were 326 responses from the 170 employers. Once again, the responses must be adjusted for not relevant responses – with 6 employers saying they had no problems retaining employees and another 2 failing to suggest any approach. The response count is adjusted by these 8 to bring it down to 318 responses with suggestions on strategies for retention. By far the most favoured approach to retain employees was remuneration with paying well or a fair wage mentioned as a strategy in 55 (32.4 percent of employers) or 17.3 percent of applicable responses. A good working environment also rated highly at 14.5 percent of responses. Taken together with the generalised catch all ‘good conditions’ response, featuring in another 32 responses (or 18.8 percent of all employers), 24 percent of responses associated the retention of employees generally with ‘good’ conditions of work and in the workplace. One of the employers in an Auckland manufacturing company summed it up by saying that they pay staff ‘good money’, have a glide time system, like to give employees a medical package and that there is mutual respect. Another employer in the accommodation industry in the Manawatu commented that they offer training, do appraisals, provide opportunity for promotions, provide staff with meals, transport and laundered uniforms.

Management style was rated highly with 15 percent of employers believing this was valuable for worker retention. If good communication and openness is also included within the management style response classification, it accounts for 36 responses or 11 percent of responses. More pecuniary based approaches - bonuses and such like incentives schemes - were also considered useful to retain employees by 15 percent of employers.

Flexible hours and work practices were mentioned by 12 percent of employers and family oriented approaches explicitly cited by another 4 percent of employers. Job satisfaction and responsibility was mentioned by 7 percent of employers.

Table 16: Strategies to Retain Employees

Strategies	No.	% of Responses (n=162)	% of Employers (n=170)
Pay well/fair wage	55	17.3	32.4
Good working environment (non-spec.)	46	14.5	27.1
Training/development	41	12.9	24.1
Good working conditions/employers	32	10.0	18.8
Bonus/incentive schemes	26	8.2	15.3
Management style	25	7.8	14.7
Flexible hours/work practices	21	6.6	12.4
Job satisfaction/responsibility	12	3.8	7.1
Good communication/openness	11	3.4	6.5
Other rewards (incl. social events, parties)	10	3.1	5.9
Good relationships (incl. teamwork, unity)	10	3.1	5.9
Perks (incl. car, meals)	9	2.8	5.3
Family orientated	6	1.9	3.5
Performance reviews/appraisals	5	1.6	2.9
Other	9	2.8	5.3
Total	318	100.0	

Approach Taken to Fill Positions

In an open-ended query employers were asked what approach their enterprise would take to fill expected vacancies. Multiple responses were possible for this question and these are summarised in the table below. We note first that 31 employers reported no expected shortages, while another six ‘didn’t know’ and hence these responses are excluded, giving a total of 171 applicable responses.

Table 17: Approach to Fill Hard-to-fill Positions

Approach	No.	% of Responses (n=133)	% of Employers (n=170)
Increase training/staff development	51	29.8	30.0
Increase apprentices	18	10.5	10.6
Advertise (incl. nationally, extensively)	15	8.8	8.8
Review/change recruitment strategies	15	8.8	8.8
Overseas recruitment	12	7.0	7.1
Increase salaries	10	5.8	5.9
Work to retain staff (e.g. benefits)	9	5.2	5.3
Redefine jobs	6	3.5	3.5
Extend recruitment (non-specific)	6	3.5	3.5
Headhunting	5	2.9	2.9
Work closely with education provider	4	2.4	2.4
Hire on attitude	2	1.2	1.2
Other	18	10.5	10.6
Total	171	100	

Workplace based skills training and staff development was an accepted approach for dealing with the skills imbalances faced. Staff development and increases in apprentices and other training schemes were suggested by a majority of employers who identified strategies. The most common response, staff development, was favoured by 31 employers who were mainly in smaller sized enterprises. It was most favoured by employers with 1-5 and 10-20 full-time employees, being suggested by 32 percent of employers in the former group and 29 percent in the latter group. These two groups similarly favoured apprenticeships.

More extensive advertising of vacancies, including advertising nationally, together with overseas recruitment was an approach also suggested. Close to 9 percent of employers opted for advertising and another 7.1 percent for overseas recruitment. The large firms with over 100 employees accounted for over 50 percent of employers suggesting overseas recruitment.

The next section examines the relevance of education and training provision to employers' needs.

EDUCATION AND TRAINING PROVISION

Employers were asked about the types of training they provided employees as well as how they viewed various training and education providers in terms of meeting their needs. For some time, the matching of training with current labour market requirements has been an issue. Previous research in the Waitakere, North Shore and Rodney labour markets (McLaren and Spoonley, 2005b, McLaren, Westbrook and Spoonley, 2004 and McLaren, Maidment and Spoonley, 2004) has shown an increasing shift towards in-house training and a preference for those external providers that are seen as having a connection to industry requirements, notably ITOs. The shortage of skilled applicants has exacerbated these issues, and made the 'fit' between education/training and employer requirements a matter of some importance.

In-House Training

The bulk (86.5 percent) of the employers surveyed indicated that they offered in-house training. This corresponds to a growing concern at the products of off-site education and training providers, the growing number of employers offering in-house training (a trend that has been noted by McLaren and Spoonley, 2005a; McLaren and Spoonley, 2005b) and research conducted by the Labour Market Dynamics Research Programme and others (see Dupuis, Inkson and McLaren, 2005) that job-seekers and employees rank such training highly.

The next table indicates that this in-house training is focussed around particular requirements. The two that employers noted were particularly important were training which concerned specific technical and training skills (68.9 percent) and health and safety requirements (63.5 percent). These priorities were followed by other forms of in-house training which were concerned with management skills (45.9 percent), communication (41.9 percent) and supervisory skills (39.9 percent). Generic skills such as the ability to adequately and appropriately communicate in the workplace are identified by employers as a major concern and it is interesting to note that this has become something that firms are now prepared to provide. The other two – management and supervisory skills – indicate that employers are ensuring that there is an internal supply of adequately trained staff for a range of leadership and management positions. The other aspects that did receive some attention were in-house training which provided computing and IT skills (31.8 percent), literacy (17.6 percent) and numeracy (16.9 percent).

Table 18: Training Offered by Employers

Type of Training	No.	% of employers (n=147)
Specific technical and trade skills	102	68.9
Health and safety	94	63.5
Management skills	68	45.9
Communication skills	62	41.9
Supervisory skills	59	39.9
Team and negotiation skills	52	35.1
Computing/IT skills	47	31.8
Literacy	26	17.6
Numeracy	25	16.9
On-the-job (non specific)	9	6.1
Professional development	9	6.1
NZQA/NCEA	3	2.0
Product knowledge	2	1.4
Apprenticeship	2	1.4
Other	9	6.1
Total	569	

As Table 19 below shows, over two-thirds of the employers surveyed (68.9 percent) offered training for specific technical and trade skills. This is followed by health and safety training (63.5 percent), management (45.9 percent), communication (41.9 percent) and supervisory skills (39.9 percent). It is interesting to note that 26 employers provided literacy and 25 employers provided numeracy training.

Table 19: Key Considerations in Providing Training

	No.	% of employers (n=170)
To retain staff	90	52.9
Customer requirements	53	31.2
Skill shortage in industry	43	25.3
Growth of enterprise	38	22.4
Skill shortage in enterprise	36	21.2
Availability of suitable applicants	33	19.4
Desire to grow enterprise	30	17.6
Government subsidies for training	16	9.4
Shortage of skills/trained people (non-spec)	16	9.4
To upskill current staff	16	9.4
Don't offer training/too costly	7	4.1
To meet requirements(incl. government, school management)	5	2.9
Staff motivation/to feel valued	4	2.4
Safety	2	1.2
Other	12	7.1
Total	416	

As mentioned above, the majority of employers surveyed - 147 or 86.5 percent of the 170 employers provided in-house skill development and training to employees. Table 20 below gives the size of enterprise breakdown in relation to in-house training. It is asserted that there is a higher probability that larger firms will provide on-the job training (Durbin, 2004: vii). This is an intuitive expectation as larger firms would have more resources to offer such training and may also have firm-specific skills that are not transferable to other firms. An investigation of in-house training provision by firms in our sample confirmed that all 20 employers with over 100 full-time employees provided training. However, interestingly the proportion of micro-sized firms with 1-5 full-time employees providing training was higher than the larger sized 50-99 employee firm – 77 percent compared to 73 percent.

Table 20: In-House Skill Development and Training of Full-time Employees

No of Full-time Employees		TRAINING PROVISION		
		YES	NO	TOTAL
1-5	No.	43	13	56
	%	76.8	23.2	100.0
6-9	No.	20	2	22
	%	90.9	9.1	100.0
10-20	No.	35	2	37
	%	94.6	5.4	100.0
21-49	No.	18	2	20
	%	90.0	10.0	100.0
50-99	No.	11	4	15
	%	73.3	26.7	100.0
OVER 100	No.	20	0	20
	%	100.0	0	100.0
TOTAL		147	23	170

An examination of the industry break-down in Table 21 shows that the micro businesses in the accommodation, cafes and restaurants sector, followed by retail trade businesses, are more likely to be providers of on-the-job training than the micro businesses in the other sectors. We might assume that the cost of training in the former two sectors is much lower than for more trade-based and professional qualifications based training that features in the construction, manufacturing and education industries.

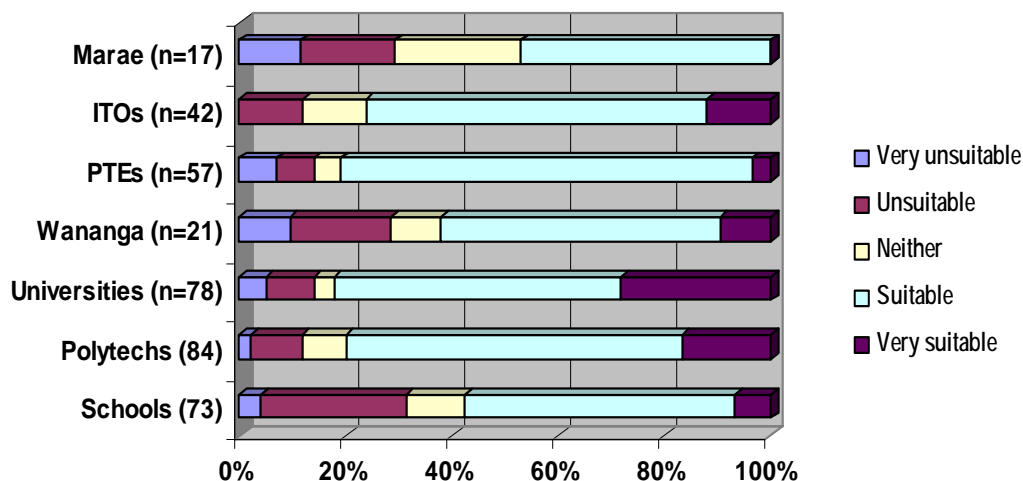
Table 21: In-House Skill Development and Training Provision of Full-time Employees Across Industry Sectors

No of Full-time Employees		Construction	Education	Hospitality	Manufacturing	Retail	Total
1-5	No.	7	6	13	8	9	43
	%	25.9	18.2	46.4	27.6	30.0	29.3
6-9	No.	3	2	6	3	6	20
	%	11.1	6.1	21.4	10.3	20.0	13.6
10-20	No.	6	10	4	8	7	35
	%	22.2	30.3	14.3	27.6	23.3	23.8
21-49	No.	4	7	2	3	2	18
	%	14.8	21.2	7.1	10.3	6.7	12.2
50-99	No.	1	4	2	3	1	11
	%	3.7	12.1	7.1	10.3	3.3	7.5
>100	No.	6	4	1	4	5	20
	%	22.2	12.1	3.6	13.8	16.7	13.6
TOTAL		27	33	28	29	30	147

The Performance of Education and Training Providers

Questions were asked about various education and training providers, including schools, polytechs, universities, wananga, PTEs and marae-based training. However, wananga and marae-based training was relevant to only a small number of employers surveyed. Employers were asked how appropriate each group of providers are in terms of providing ‘suitably skilled staff’, the reasons for the response and whether the situation could be improved. Figure 6 below highlights these findings.

Figure 6: The Performance of Education and Training Providers



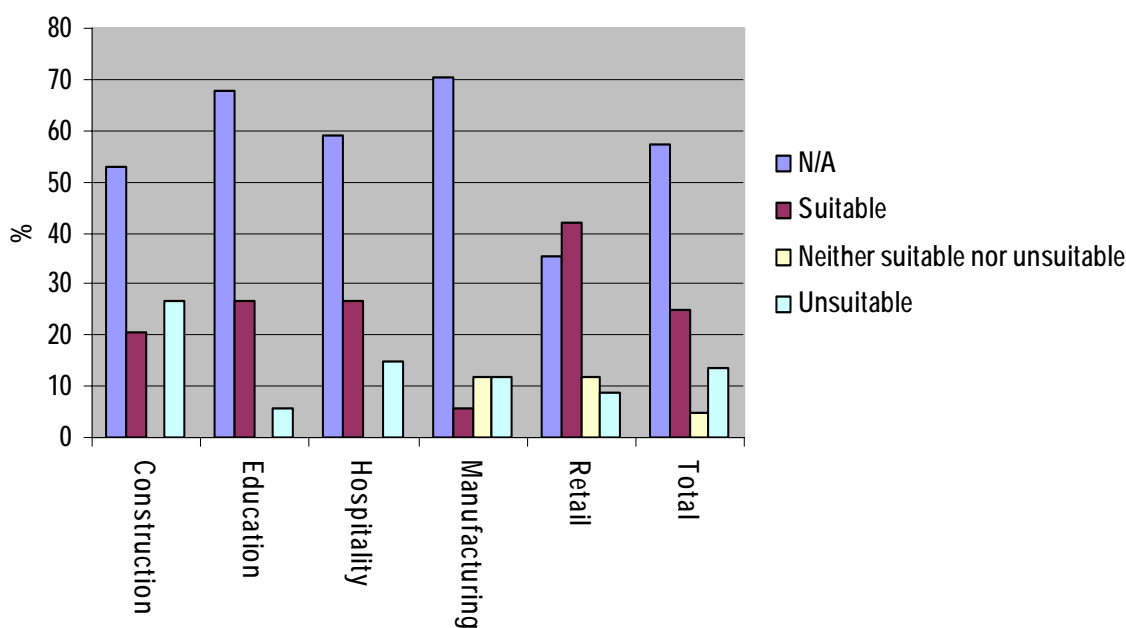
Schools

The number of employers who indicated that schools provided ‘suitable’ or ‘very suitable’ education and training (54.4 percent) was much higher in contrast to those who said that those coming from schools were ‘unsuitable’ or ‘very unsuitable’ (33.8 percent). In terms of the reasons why they regarded the education and training provided by schools as suitable or unsuitable, there were some interesting reasons offered with stark contrasts at times, although the numbers who answered this question were relatively few. In terms of the unsuitable/very unsuitable responses, the key issues were immaturity of school leavers and the irrelevance and low standing of schools. Amongst the positive responses, schools were seen as providing targeted courses and to have partially trained those entering the workforce.

The levels of approval for the education and training provided by schools is higher than some of the regional labour market surveys of employers which have indicated a greater level of dissatisfaction (McLaren and Spoonley, 2005a, 2005b). In looking at regional differences, Auckland, Gisborne and Wellington indicate that about half of employers say that the education and training provided by schools is suitable or very suitable, but equally, between 26 and 45 percent of employers say the opposite. The exception is Gisborne where the approval rating is much higher (71 percent).

The next figure offers an indication of which industries were most likely to see schools as providing appropriate staff. In construction, the numbers were reasonably evenly split between those who saw schools as suitable and unsuitable with the numbers slightly higher in the latter category. The education sector was more positive, as were retailers and those in accommodation, cafes and restaurants. The contrast is between construction (unsuitable) and retail (suitable).

Figure 7: Relevance of School Education by Industry



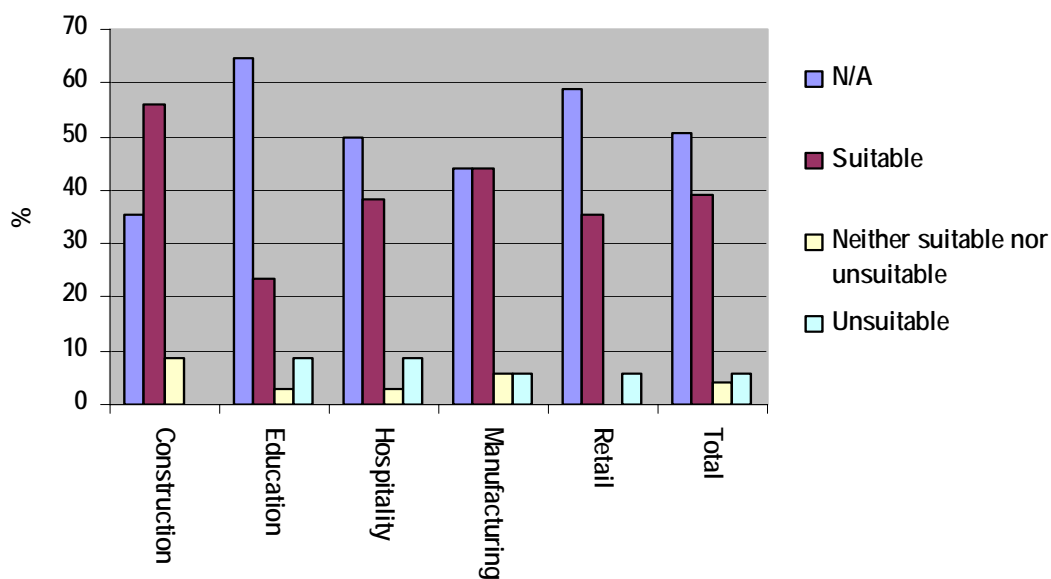
Polytechnics

Employers were generally positive about polytechnics with 81 percent seeing the education and training that they provided as ‘suitable’ or ‘very suitable’ compared with a negative perception of just 12.6 percent. This contrasts with the surveys of employers in Auckland regional labour markets where the perception is much more negative (McLaren and Spoonley, 2005b). The difference may be that regional polytechnics are more closely aligned with their catchments. However, a regional breakdown does not support this. In Auckland, 84.6 percent of employers were positive about polytechnics, and the numbers indicating that they saw their education and training as unsuitable was low (11.5 percent). Gisborne and Wellington expressed similar levels of confidence. The exception was provided by the Manawatu/Wanganui region where the numbers indicating concern rose to 26 percent and the number of employers saying that the polytechnics provided suitable or very suitable training dropped to 63 percent.

In terms of those who saw polytechnics as unsuitable/very unsuitable, the main issues mentioned included irrelevance and low standing and the poor quality of candidates. On the positive side, polytechnics were seen as providing targeted and specialised courses, to have mature candidates and to offer specialised training.

The bar chart below indicates that employers from the accommodation, cafes and restaurants were most likely to say that polytechnic training was unsuitable while manufacturing and retail sector employers were complementary.

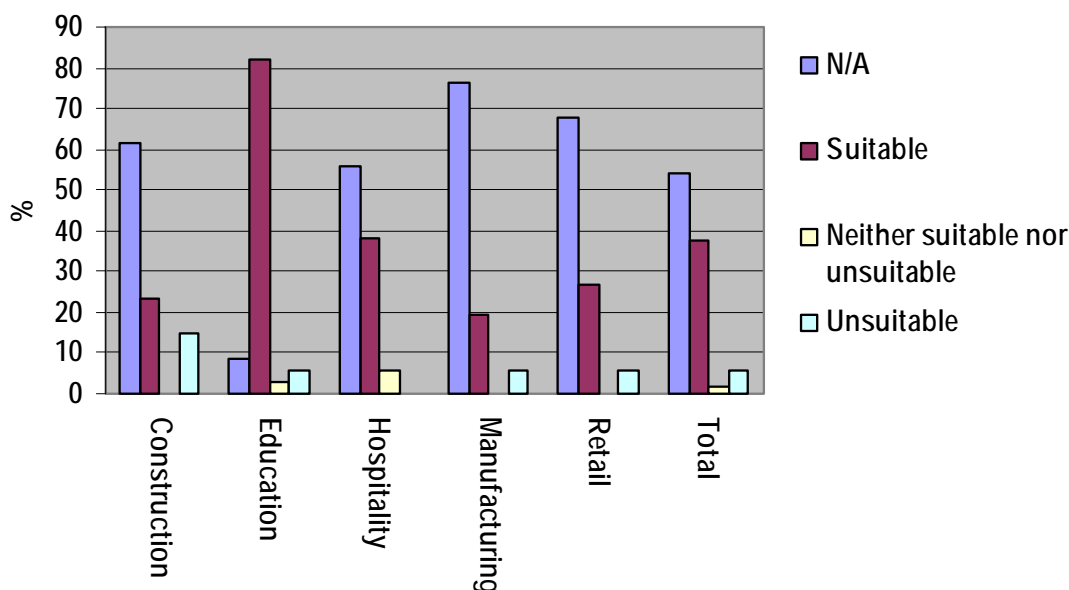
Figure 8: Relevance of Polytechnic Education/Training by Industry



Universities

Most employers saw universities as contributing positively to education and training, with 88.5 percent answering that they provided ‘suitable’ or ‘very suitable’ candidates. Only 4.9 percent were critical. This is again in contrast to surveys of Auckland employers (McLaren and Spoonley, 2005b). The positive reasons given for this level of approval included good attitudes to work/work habits, the training provided and the reputation/standing of universities. Most likely to respond with a negative assessment were employers from construction while there were positive responses from retail, manufacturing, accommodation, cafes and restaurants and education sectors. In terms of regional differences, the level of support for universities from employers was uniformly high, ranging from 76 percent (Auckland) through to 94 percent (Manawatu/Wanganui). The level of approval amongst employers for universities in Manawatu/Wanganui contrasts with how employers in the region rated polytechnics (94 percent in relation to universities compared with 63 percent for polytechnic education and training).

Figure 9: Relevance of University Education by Industry



Wananga and Marae-Based Training

The numbers answering this question were small (21), with an approval rating of 60 percent indicating that they saw this form of training as ‘suitable’ or ‘very suitable’. Most concern was about the irrelevance and low standing of wananga. Employers in education and retail trade were the most positive. In response to a separate question about marae-based training, only 17 employers indicated that they saw such training as related to what they did and of these, 30 percent saw it as ‘unsuitable’ or ‘very unsuitable’.

PTEs

What was interesting in the responses here was that two-thirds of employers did not see PTEs as applicable to their firm. Of those that did, three-quarters (76.4 percent) were positive and 7.9 percent were not. Those who saw the training offered by PTEs as unsuitable noted their irrelevance and low standing while those who were positive noted that they offered targeted and specialised training. Employers from construction were most likely to be complementary about the activities of PTEs, although each of the sectors acknowledged PTEs as providing suitable education and training.

ITOs

As with PTEs, three-quarters (75.3 percent) of employers did not see ITO education and training as applicable to them. But of those who did see them as appropriate, 80.5 percent saw them as ‘suitable’ or ‘very suitable’. The reasons for this were given as ITO education and training was targeted and specialised with a close relation between ITOs and industries. There was concern within the construction sector with some employers indicating that they saw ITO activity as unsuitable.

EMPLOYER RECOMMENDATIONS

Finally, employers were asked what policies or procedures would assist their enterprises in facilitating employment growth and business performance. Table 22 below summarises the responses given.

Table 22: Themes on Policies or Procedures that would Assist Employment Growth

Themes	Number of responses	% of employers
Training subsidies	69	40.6
Immigration/ease entry/flexibility/qualification recognition	30	17.5
Ease compliance	13	7.6
Encourage apprentices incl. subsidise them	10	5.9
Tax laws	7	4.1
Increase government funding/resourcing (not specified)	6	3.5
Elevate status of certain occupations/trades	5	2.9
Better life skills education	4	2.4
Employment laws	4	2.4
Better teaching of attitudes/work ethic	4	2.4
Wage levels	4	2.4
Improve economic growth	3	1.8
Re-examine benefit system	3	1.8
Work-based training at school	2	1.2
Nothing/don't know	27	15.9

A variety of responses were put forward by employers in answer to the question on what policies and procedures would assist them in achieving employment growth and these reflected the themes that emerged throughout the analysis. Increasing training subsidies was the most commonly mentioned policy (69 employers) and this does not include the references to increased numbers of apprenticeships or the increased subsidies for apprentices commented on by 10 employers. A few examples of responses are given below.

More industry based training on a regional level – not from the polytech but from within the industry. (Accommodation industry, Manawatu/Wanaganui)

The government used to subsidise employers to take on apprentices and pay for their wages while the boys were at tech. That helped enormously. There needs to be subsidising of apprentices while they study away from the job, you can't charge them out and that's a huge cost. It's a barrier to a lot of employers taking on apprentices that's why there's a skills shortage now. (Building and Construction industry, Auckland)

Immigration, overseas sparkies, apprenticeship drive, make more incentives for kids to go into trades. (Building and Construction industry, Manawatu/Wanganui)

At government level - understand the nature of apprentices in relation to the business i.e. government has no idea of the true cost of training someone - plumbing organisations revolved around plumbing are incompetent - lobby government to help plumbing companies in regards to apprentices - standard are dropping. (Building and Construction industry, Wellington)

Increased immigration or more streamlined, flexible and efficient processes were mentioned as policies or procedures that would assist in solving some of the employment difficulties encountered (30 employers). In addition, several employers suggested that qualification recognition should be reassessed. Examples of employer responses appear below:

Immigration would help the work ethic. (Accommodation industry, Auckland)

Make it easier for people to get into the country, get skilled trades people into the country. Sixty to 70 percent of this company's staff are skilled immigrants but our system fails to recognise the qualifications when they come in from South Africa, Zimbabwe, Scotland etc. They are far more work orientated.... (Manufacturing industry, Manawatu)

We've had to deal with immigration and they are extremely difficult to deal with [especially] for the level of wages we are able to pay to compete with the standard global market. (Manufacturing industry, Wellington)

There were various references to compliance, employment laws and other government regulations that make it difficult to run a business. The comments below provide examples of employers' frustrations:

Better controls on importing as we struggle to compete with imported products. Supply and demand of the steel going offshore is affecting our local steel buying prices. (Manufacturing industry, Auckland)

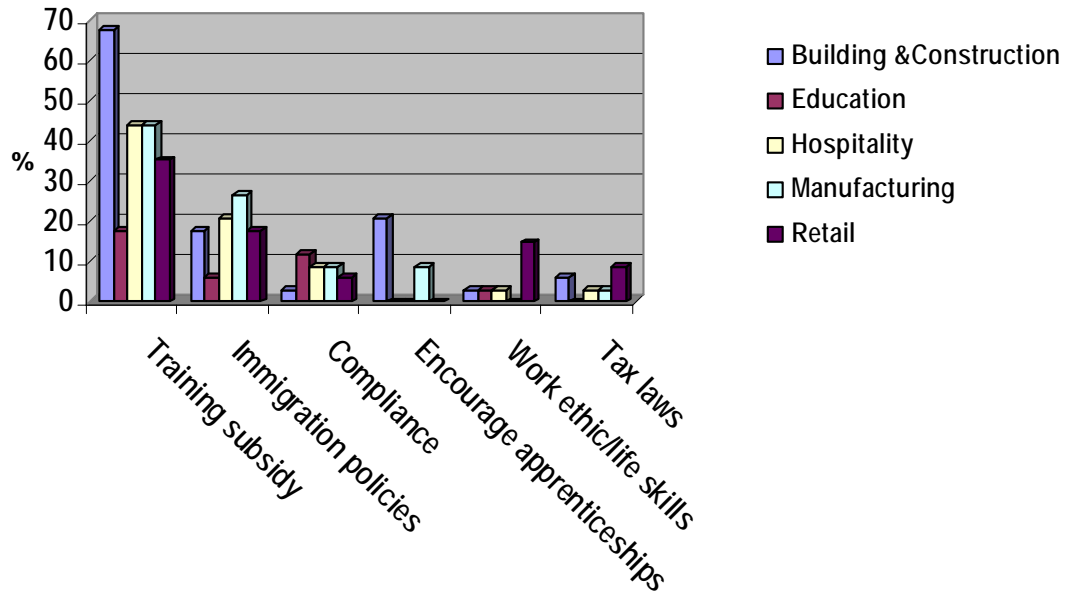
Competing with the unemployment benefit in the food industry...the relationship between the bottom wage in the food industry compared to the unemployment benefit does not encourage people to work. (Retail industry, Wellington)

The government has set up a level of disincentive to work – re-examine the way in which welfare is handled. (Manufacturing industry, Wellington)

The main thing is we have is a fear of hiring people because you can't tell what someone's like till they've been here a few weeks and it's difficult to get rid of people. Just provision for trial periods and that sort of thing. (Manufacturing industry, Auckland)

The figure below provides a breakdown of the key policy themes that emerged by industry sector.

Figure 10: Key Policies and Procedures Affecting Employment by Industry



From the figure above, it is evident that over two-thirds of the employers in the building and construction industry would find training subsidies helpful in facilitating business growth. In addition, 20.6 percent mentioned increased apprenticeships and in some cases the revision of the apprenticeship programme and funding was seen as helpful. Forty-four percent of employers in the manufacturing and hospitality industries would find training subsidies helpful in assisting business growth. Over a quarter of the employers interviewed in the manufacturing sector find immigration policies inadequate for their company needs.

CONCLUDING COMMENTS

Our survey provides further empirical support for a fairly widely reported employer concern – the lack of appropriately skilled and trained employees. In a demographically small developed country such as New Zealand, which has recently experienced an expansion in economic activity and has currently the lowest unemployment rate in the OECD group, recruitment difficulties and significant employee vacancy levels, as indicated by the majority of employers surveyed, is far from surprising. Given a tight domestic labour market, that a low absolute number of applicants was most commonly cited as a main cause of hard-to-fill vacancies by respondents across all the industries surveyed, is not surprising either.

A commonly accepted approach for dealing with these hard-to-fill vacancies was workplace based skills training, including apprenticeships, and staff development. In the light of this preference, it is relevant to highlight that training subsidies were viewed by the majority of employers as a strategy that would facilitate employment growth in their businesses. Should the hard-to-fill positions be an indication of market failure, there might be an added rationale to argue a case for such subsidisation. Apprenticeships have been a proven pathway for employment in trade-based occupations which our survey showed account for the majority of these vacancies. It is reasonable therefore that the means of attracting more apprentices to these occupations as well as the training costs to employers, should be explored in greater detail.

The question of how best to invest in education and training, and to ensure that providers are responsive to employer requirements, is one that has been a policy concern internationally for some time now (e.g. Wilson, 1995). It is also an issue which has been repeatedly mentioned and attracted strong responses from employers in various surveys in New Zealand (e.g. Business New Zealand and the Industry Training Federation of New Zealand 2003). From our research, it is evident that on-the-job or in-house training is seen as effective in fulfilling employers' needs and that career pathways can successfully be driven by a demand-led approach. Moreover, the other current parallel study undertaken by the LMDRP, found that young New Zealanders (aged 15-34) in receipt of in-house training (60 percent) were equally enthusiastic about this form of training. In this study, a sample of 362 young people in full-time employment were asked about their level of satisfaction with the training they had received from their employers, and 92 percent described that training as either very or fairly satisfactory (Dupuis, Inkson and McLaren, 2005). This finding is supported by a further recent study on employing young workers in Australia where it was found young people ranked job-related training as one of the key things they wanted from their employer (Tresize-Brown, 2005).

The next phase of our labour market demand-side investigation will be in-depth interviews with a sample of the employers we surveyed in this study. These interviews would further illuminate the issues and concerns of employers reported here.

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APPENDIX ONE

Occupations with Current Vacancies

Classification	No. of mentions
specialised managers	6
teacher (non specific)	6
architect/engineer/related profession	2
nursing/midwifery	1
primary and early childhood teaching	1
other teaching professionals	2
Technician (non spec)	2
physical science and eng techs	4
life science techs and related workers	3
health assoc professionals	2
admin assoc professionals	1
social work assoc professionals	1
numerical clerks/admin	9
customer service (non spec)	2
cashiers/tellers and related clerks	1
client info clerks	3
chefs	10
housekeeping/restaurant services	10
personal care workers	1
salespersons/demonstrators	8
market farmers/crop growers	2
apprentices (non spec)	1
trades (non spec)	2
building and related trades	3
building finishers and related trades	4
electricians	3
metal/sheet metal related workers	5
toolmakers	1
operator (non-spec)	3
processor (non-spec)	2
machine operator (non spec)	2
motor vehicle/truck drivers	2
plant operators	1
caretakers/cleaners	10
packers/freight handlers	1
labourers/factory worker	2
missing/don't know	4

APPENDIX TWO

Positions Generally Difficult to Fill

Classification	No. of mentions
specialised managers	9
teacher (non specific)	5
relief teachers	5
architect/engineer/related profession	2
nursing/midwifery	1
tertiary teaching professional	2
secondary teaching professional	1
special education teaching professionals	1
other teaching professionals	1
technician (non spec)	3
physical science and eng techs	1
computer equipment controllers	1
health assoc professionals	3
admin assoc profs	1
social work assoc professional	2
writers/artists/sports ass professional	1
secretaries	1
material recording and transport clerks	1
client info clerks	1
chefs	8
housekeeping/restaurant services	6
personal care workers	1
salespersons/demonstrators	7
market farmers/crop growers	3
apprentices (non spec)	2
trades (non spec)	10
building and related trades	2
building finishers and related trades	8
electricians	1
metal/sheet metal related workers	5
toolmakers	1
machinery mechanics/fitters	3
glass cutters	1
food/related products	4
operator (non-spec)	2
processor (non-spec)	2
machine operator (non spec)	1
motor vehicle/truck drivers	2
caretakers/cleaners	7
missing/don't know	3