



Labour Market Dynamics
Research Programme

Innovative research in employment

OVERCOMING SKILL SHORTAGES: EMPLOYER PERSPECTIVES AND STRATEGIES

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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 variety 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 tight 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 the first report (de Bruin, McLaren and Spoonley, 2005) provides a descriptive analysis of the opinions of 170 employers in five industries (construction, education, hospitality, retail and manufacturing). The face-to-face interviews with 20 employers analysed in this report follow from the first general report and describe the recruitment and retention experiences of these employers who participated in the original survey.

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, 2006).

BACKGROUND

Since 2000, one of the growing issues for New Zealand businesses has been the shortage of both skilled and unskilled labour, generally attributed to the strong growth of the New Zealand economy and low rate of unemployment. Various employer surveys conducted by the LMDRP (see, for example, de Bruin, McLaren and Spoonley, 2005; McLaren and Spoonley, 2005) provide further empirical support for the widely reported employer concerns regarding the lack of appropriately skilled and trained employees. Closely related is the mismatch between demand and supply which is reflected in skills shortages:

Among developed nations, New Zealand has the worst recent record for skill shortages: in three of the last five years we have been on top of the OECD skill shortages list, and our current batch of skill shortages has not improved since 2000. Action by business, education institutions and policy makers is required to get skills needed for a competitive, growing economy (BusinessNZ, 2006).

As the above quotation indicates, skill shortages are an enduring issue in New Zealand: they are not transitory and are likely to limit productivity growth and to further widen the gaps between New Zealand and its neighbours (BusinessNZ, 2006). In 2005, employers in New Zealand rated the skilled worker shortage as a greater barrier to business than employers in 23 other OECD countries (The Jobs Letter, April 2005) and these shortages are seen as a major reason for curtailed expansion in business (Grant Thornton International Business Survey, 2005). More recently, an August 2006 Department of Labour (DOL) survey found that despite the slowing down of the economy, skill shortages continue to remain a major issue in New Zealand. One-quarter of businesses surveyed were experiencing difficulties finding skilled staff with 15 percent stating that an inadequate supply of labour was the main factor constraining the expansion of their business. Confirming the Department of Labour's statistics, a recent Auckland Chamber of Commerce (2006) survey found that 39 percent of the 800 employers who took part in the survey believed that it would continue to be harder to employ the right people with the right skills.

In our survey of 170 employers in the North Island (de Bruin, McLaren and Spoonley, 2005), employers in the building, construction and manufacturing sectors were particularly affected by the skills shortages. Consequently, the 20 face-to-face interviews with employers reported on in this survey were limited to these sectors and this report was undertaken to gain a fuller understanding of the issues underlying the statistics cited above.

METHODOLOGY

One hundred and seventy employers in five industries across four regions of the North Island were interviewed for the first phase of this research. The regions were selected to coincide with those of 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. Data collection for the survey was carried out using the Computer Assisted Telephone Interview (CATI) system operated by Consumer Link, a private research company in Auckland. Interviews were carried out between 11th April and 3rd May 2005.

At the end of the CATI survey, employers were asked if they would be prepared to take part in an in-depth interview at a later stage and 63 percent of employers indicated their willingness to be interviewed again. Consequently, employers from the four areas, Auckland, Wellington, Gisborne and Manawatu/Wanaganui, in the building/construction and manufacturing sectors who had indicated their willingness to participate in a follow-up interview were contacted between February and May 2006.

A qualitative methodological approach was used for this phase of our study to examine factors preventing employers from filling their staffing requirements. This qualitative methodology is not representative and we cannot generalise our findings. Rather, we focus on validity and the meaningfulness of the information gathered in the context of employing staff in a climate of enduring skills shortages.

As the most widely applied technique for conducting systematic social enquiry, the interview provided us with the opportunity to learn first hand about the experiences of employers in two sectors where the greatest difficulty in finding appropriate skilled employees occurred. Before the interviews started, participants were given an information sheet outlining the aims of the study and detailing their right to refuse to answer questions and withdraw from the study at any time prior to the analysis. Participants also signed a consent form and every effort has been made to ensure confidentiality and to protect the identity of the participants. The interviews were recorded with the consent of the participants and transcribed in their entirety. An interview guide was used to ensure that similar themes were covered in each interview and these themes are summarised below.

The broad objectives of our research were to elicit employers' experiences in the labour market and we examined the following:

- Employers' experiences of skills shortages if, and where, these exist and how they might be overcome;
- Preferred source of employees;
- Desired employee characteristics;
- Changing employer expectations;
- Future skills planning in the organisation;

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.

- Employee retention and employment practices; and
- Feasibility, structure and funding of in-house training.

The remainder of the report examines the concerns and issues raised by the 20 employers that were interviewed for this study around the themes outlined above.

SAMPLE OVERVIEW

Twenty employers participated in face-to-face interviews from the Auckland, Wellington, Gisborne and Manawatu regions. Table One gives a regional breakdown. The sample was evenly divided between the building and construction and manufacturing sectors. The majority of the enterprises (85 percent) had been in operation for over 10 years.

Table 1: Regions

| Region | Frequency | Percent |
|-------------------|-----------|--------------|
| Auckland | 8 | 40.0 |
| Gisborne | 3 | 15.0 |
| Manawatu/Wanganui | 3 | 15.0 |
| Wellington | 6 | 30.0 |
| Total | 20 | 100.0 |

Almost two-thirds of the sample of employers reported having vacancies at the time of the CATI interview. A breakdown of occupational groups is described in Table Two below. Almost half of the vacancies (47.4 percent) were in the trades and the remainder fairly evenly spread across the other occupational groups.

Table 2: Vacancies at the Time of the Interview

| Occupational Group | Frequency | Percent |
|--------------------------------------|-----------|--------------|
| Legis/Admin/Managers | 1 | 5.3 |
| Professionals | 1 | 5.3 |
| Technicians/Associated professionals | 1 | 5.3 |
| Clerical/admin | 2 | 10.5 |
| Service/Sales | 1 | 5.3 |
| Trades | 9 | 47.4 |
| Machine operators | 2 | 10.5 |
| Elementary | 2 | 10.5 |
| Total | 19 | 100.0 |

However, when comparing current vacancies with those positions that sixty percent of the employers generally found difficult to fill (Table 3), it is evident that, aside from a single report of a service/sales and one machine operating position, the remainder (84.5 percent) of the roles that were difficult to fill (usually on an ongoing basis) were in the trades. This finding in the CATI interviews was reflected in the themes that emerged in the face-to-face interviews which are the

focus of discussion and analysis in the following section. Eighty percent of the employers in the building and construction sector reported having positions that were difficult to fill as opposed to 60 percent among manufacturing employers in the sample of 20 employers. A regional breakdown of skills shortages did not indicate large differences (as the sample is small, this finding provides an indication only). Sixty-seven percent of employers in Gisborne and the Manawatu regions, 63 percent in Auckland and 50 percent of the Wellington-based employers reported having positions that were difficult to fill.

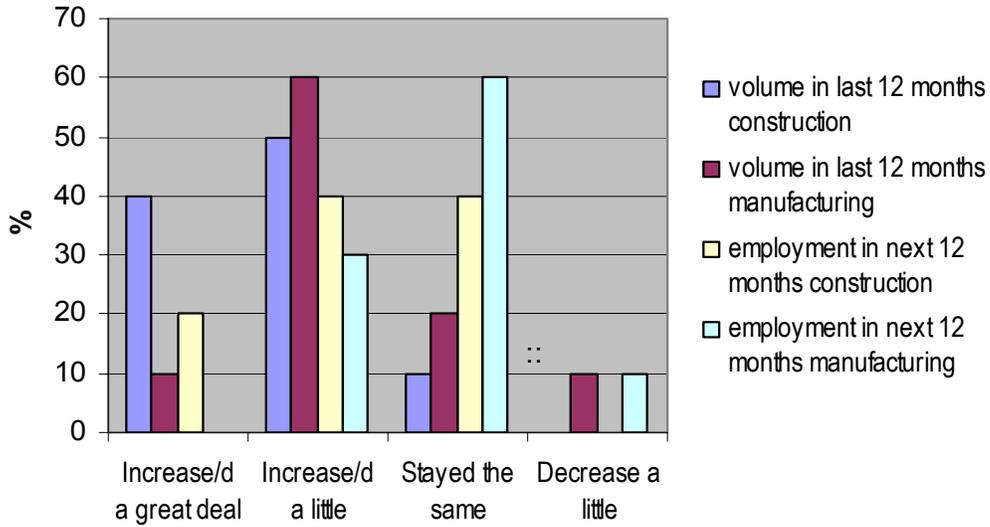
Table 3: Positions Difficult to Fill at the Time of the Interview

| Occupational Group | Frequency | Percent |
|---------------------------|------------------|----------------|
| Service/Sales | 1 | 7.7 |
| Trades | 11 | 84.6 |
| Machine operators | 1 | 7.7 |
| Total | 13 | 100.0 |

To gain some indication of business confidence in the next 12 months and the effect that the skills shortages have on employers in building, construction and manufacturing, employers in the CATI survey were asked what their employment expectations in the next year might be. This is compared with an overview of the volume of business in the last 12 months. From Figure One below, it is evident that for the building and construction sectors, the volume of business had increased for 90 percent of the employers and 70 percent for employers in the manufacturing sector. A similar trend is observed with regard to employment expectations where 60 percent of building and construction but only 30 percent of employers in manufacturing expected an increase in employment. Six of the 10 manufacturers anticipated that employment levels would remain the same in the following year.

This finding is confirmed in the analysis of the face-to-face interviews (discussed in the remainder of the report) where it was found that, one year on from the initial interview, and despite a slowing down of the economy, employers still experienced considerable difficulties in recruiting skilled employees.

Figure 1: Volume of Business in the Last 12 Months and Employment Expectations in the Next 12 Months



Meeting the expected increase in employment levels that were anticipated by the six building and construction and three manufacturing enterprises continue to provide challenges, particularly in filling skilled and trades positions. The issues surrounding the employment of skilled staff are discussed in depth in the remainder of the report.

EMPLOYERS EXPERIENCES OF SKILLS SHORTAGES

Official government statistics and numerous studies have shown that over the past five to six years, the New Zealand economy has experienced a substantial lift in activity and growth (OECD, 2005; New Zealand Treasury, 2006). The expansion of the domestic economy has increased local demand for labour by business as they have sought to take advantage of the financial and market opportunities available. This has resulted in an increased demand for labour which has, in turn, reduced the supply of the existing pool of workers in the labour market, leading to record low rates of unemployment over the past three to four years. The net result is that employers, after enjoying at least two decades when there was generally a good supply applicants across a wide spectrum of skills (Statistics New Zealand, 2006a; Honey, 2001), have instead experienced varying degrees of difficulty sourcing appropriate staff in what has been a competitive environment for labour.

This has likewise been the experience of the 20 employers who participated in this study. Nearly all the employers we interviewed in this study said that they had experienced degrees of difficulty sourcing staff during the buoyant economic conditions of the past three to four years. Furthermore, many said that they had not only encountered problems sourcing highly skilled workers but also experienced considerable trouble finding suitable people to fill roles at the lower end of the skill spectrum. Only one of the employers interviewed said that they had not experienced any noticeable difficulty finding suitable staff to fill vacancies in their enterprise. Nevertheless, this employer freely admitted that this was due to the fact that they were operating a strongly established business within a small town where this individual benefited from being widely connected within their surrounding locale.

The tight labour market conditions experienced by most of the employers participating in this study confirms similar findings from other studies undertaken in the domestic employment domain (Statistics New Zealand, 2006b). There has, however, been a slight slowing down of the economy since the end of 2005 (DOL, 2006) and the linkage between economic activity and the demand for labour, particularly towards the skilled end of the spectrum, is demonstrated by the fact that 12 of the 20 employers in our sample reported a steady improvement in the supply of available labour. However, the general easing in the supply of labour in tandem with the recent slowdown in the economy has not been evenly felt by employers participating in this study. Instead, it has followed a pattern whereby employers belonging to the manufacturing sector have experienced an improvement in supply, whereas those belonging to the trades sectors such as plumbing and electrical services appear to have experienced little, if any, easing of pressure on the supply of labour. The apparent sector-divide in terms of labour market supply is described below.

Firstly, the 12 employers who reported finding staff had become easier over the course of the past year were mainly involved in the metal working, joinery and manufacturing sectors. After being subject to a three to four year period whereby this group of employers experienced considerable difficulty in sourcing suitable staff for their enterprises, most have generally noticed, since the end of last year, a marked lift in both the supply and quality of prospective employees currently entering the labour market. While the easing of supply is skewed towards the lower end of the skill-spectrum, employers in this group have also found it comparatively easier to source highly skilled

and qualified labour over the past 12 months than they were previously able to. As one manufacturer noted:

We're able to at long last choose who we wanted rather than having to take what was required. Prior to that we would advertise and not even get a reply...

However, when this group of employers were asked whether the current easing in the labour market marked a turning point in labour supply, few were totally confident it signified a return towards a more favourable environment for employers. In particular, out of the 12 employers in this group, only two individuals believed that the supply in the labour market, particularly for more skilled workers, had permanently shifted. Here, an Auckland-based manufacturer strongly suggested that the recent shift towards greater supply in the labour market was symptomatic of a structural decline in manufacturing that had come about due to the impact of free-trade agreements made by the Government with low-cost economies such as China.

In contrast, the remaining nine employers in our sample who continued to experience difficulty sourcing labour belonged to either the plumbing, building or electrical services industries. Despite the general cooling of economic activity, the impression given by the group was that little had changed for them; business was still brisk with the labour market continuing to remain very tight. While one builder felt that a downturn in economic activity might eventually lead to an improvement in the supply of labour for the building sector, most employers in the trades sector were not so confident about the prospects of a economic downturn leading to any improvement in the labour market within the building sector. Instead, what is noticeable amongst this group was a distinct lack of optimism about the prospect of any improvement in the supply of labour over the medium to long-term future. As one owner of Wellington plumbing service's company observed about the plumbing industry in general:

I just don't think the skills [are] out there any more.

There is a clear difference in experience between the manufacturing and building/construction sectors in terms of the impact of the slowdown in economic activity and any resultant easing of supply in the labour market. It also appears from the comments made by employers that the general slowdown in the economy and its affect on labour supply has been uneven, particularly affecting the building, plumbing and electrical services industries. While it had been easier to source skilled workers, many employers still experienced tightness of supply towards the skilled end of the labour market spectrum. As a human resources manager with a Wellington-based manufacturer succinctly put it:

We don't have too much problems with process workers because a lot of people who answer our ads don't actually have any process working skills. We are actually willing to employ people without any of those skills and we'll train them ourselves.

The area that we are experiencing difficulty in is sort of the higher level of training. That gap between standard workforce and university, the technical trades such as fitter and turners, truck drivers, logistics people, those sort of areas.

This indicates that the *supply dynamic* is not solely driven by *demand factors* related to the health of the economy but is also largely mediated by the *type* and *depth* of skill being sought by employers. It is also worth noting that the building and construction sectors are generally more reliant on qualified tradespeople than those belonging to the manufacturing sector. So it is not surprising that most employers in the trades sector were continuing to experience problems sourcing suitable labour.

1. Perceived Causes of a Tight Labour Market

Respondents from both sectors identified two key factors that they believed were behind the current (and likely to be ongoing) problem with sourcing skilled labour and qualified tradespeople. The first, and for many the definitive factor behind the current difficulties in filling positions for qualified tradespeople was the winding down of the traditional apprenticeship system during the early nineties; the direct result of the Government of the day's policy that aimed to eliminate or at best encourage the extinction of the traditional apprenticeship system of training tradespeople (EPMU, 2005; Benson-Pope, 2006). As a proprietor of joinery factory noted:

...there is just not the tradesmen out there and I've got it down to government's policy in the past...doing away with the apprenticeship scheme. (Joinery Factory Owner, provincial North Island centre).

The joinery factory owner's comments were mirrored by other respondents. For instance, a manager of an Auckland-based manufacturing company also blamed the removal of the apprenticeship system during the past 10 to 15 years for the shortages of skilled workers and qualified tradespeople experienced today.

Without a doubt the apprenticeship programme. The loss of the apprenticeship programme in New Zealand. I think it's going to take ten years [to solve the problem]. (Plant Manager, Auckland).

A Wellington-based electrical contractor also observed that:

A lot of it started about 15 years ago when the apprenticeship system was basically decimated and there wasn't any apprentices. Might be a bit longer might be about 20 years ago and we're seeing that generation gap missing of apprentices...

However, in contrast, one building contractor from Gisborne suggested that perhaps the running down of the traditional apprenticeship system actually started during the latter half of the eighties. Nevertheless, the net result was the shortage of tradespeople being experienced during the early years of this century.

In the building industry it went back middle to late 80s when the government pulled the pin on the funding for the training and at the same time we had an economic down turn. There wasn't any apprentices trained at that stage because of costings and the economic down turn and that big gap has just followed its way through the system.

..You get your retirement of the older tradesmen and then the gap of no one filling it and it's just followed its way through reality and also there is a large upturn in work which puts stress on the current parcel of employees out there. (Building Contractor, North Island provincial centre).

It is clear from the comments of the employers quoted above and those made by others, that government moves to abolish the apprenticeship system as the main mode of trades training 10 to 15 years ago has probably been the single main factor behind the recent and ongoing shortage of skilled labour – in particular, qualified tradespeople. The impression given from the comments of many of the employers is that trades training essentially 'dried up' following the removal of the traditional apprenticeship system and only resumed in earnest after its incarnation through the introduction of the Modern Apprenticeship Scheme in 2000.

There is a clear consensus within the comments made by this group of employers that trades training has essentially been restored through the introduction of the Modern Apprenticeship Scheme. However, as one of the respondents noted, the ability of the Modern Apprenticeship Scheme to address the short supply of tradespeople is threatened by both the current generation gap of experienced and qualified tradespeople in their thirties and forties and the impending retirement of older generations. This means that during some time in the future, there are likely to be insufficient qualified tradespeople to not only assist in the process of training the extra apprentices required to meet the numbers of tradespeople needed by the economy, but also those that will directly replace them (after they retire).

Despite the reintroduction of the apprenticeship system through the Modern Apprenticeship Scheme, it is not surprising that employers from both groups generally remained pessimistic about any improvement in the supply of skilled and qualified tradespeople in the foreseeable future. In fact, the general impression given was that the supply of workers at the higher end of the skill-spectrum would continue to remain tight over the long-term.

2. Barriers to Optimum Employment

The employers interviewed identified a number of additional factors which they felt were collectively exacerbating the skill-gap problem and delaying any real improvement in the situation for the foreseeable future. These included the education system, and to a lesser extent, the current implementation of immigration policy. In addition, many of the employers, whilst pleased with elements of the traditional apprenticeship system of trades training that had been revived through the Modern Apprenticeship Scheme, highlighted a number of issues with the programme which were likely to attenuate current efforts to address the crisis in the supply of qualified tradespeople.

2.1 Education system: Secondary Schools Not Promoting Trades Vocations

Many of the employers surveyed expressed concern about the direction and focus of the education system, especially at secondary school level. In particular, there was a perception that the secondary school system, through its current curriculum, primarily focused on steering and preparing students for 'white collar' careers in fields such as information technology (IT). At the same time, many felt that the secondary school system was also actively discouraging students (either explicitly or otherwise) from considering vocations in plumbing, joinery and other manual trades. Several employers commented on this:

...I think over the years all these school leavers want tertiary education and I just don't know where these people are and why they're not coming in and joining up...Whether the schools are putting big ideas into these kids hence they...I don't know can't work it out myself. There must be plenty of kids there that want to do some sort of apprenticeship of something (Glazing Contractor, Auckland).

...all these computer programmes. Schools not encouraging kids to go into trade (Electrical Services Contractor, North Island provincial centre).

...you're looking at kids from school, they want to go into what they perceive [as] glamour industries, which is IT basically and where a lot of kids used to opt for trades, they don't now, they go to the glamour industries. It's hard to find the school kids who want to do a trade.

You know once on a time a trade was a valued thing. It's not so much now because the emphasis has been on the knowledge economy and you know IT – all that sort of thing (Plumbing Contractor, Auckland).

Ten years ago the schools weren't pushing IT as much. It's all very well to push IT but I think the IT market has now come to a stage where it is full and they're still trying to push people to take IT at college and I think it is wrong. I think there has to be a new direction (Owner, Joinery Factory, North Island provincial centre).

...I think...there's been a change in a lot of young people today. They're looking for other options than trades... (Manager, Auckland-based Manufacturer).

From the above comments, it is quite clear that many of the employers felt that the education system had a strong bias towards white collar careers over blue collar vocations which, as a consequence, was behind the lower numbers of school leavers looking to pursue a trades career and perhaps secure an apprenticeship. In addition, some of the respondents felt that there had been a decline in the calibre of school leavers in terms of their practical and life skills which they believed was a result of a focus on academic subjects and a simultaneous de-emphasis of practical subjects within the secondary school curriculum. As one employer saw it:

...A lot of kids now that go into a trade have spent all their high school education doing theory and they're not practically orientated as far as using their hands go. I don't know how much metal work and woodwork they get at high school these days, but I don't think it is as much as we used to get in the sixties and seventies. Therefore you've got to teach them right from scratch how to use basic tools and things like that. I expect the kid to be able to do that if he comes to me for an apprenticeship. I feel that the modern kid is lacking in that respect.... I've spoken to other guys in the trade and they've found exactly the same thing. One guy said to me he interviewed a young kid and he said 'Do you have any hobbies at home?' and replied 'No not really.' 'Has dad got a workshop?' 'Yeah'. 'Has he got a vice?' 'Oh he smokes'. It is a bit sad but that's what we're getting these day (Electrical Contractor, North Island provincial centre).

Interestingly, many of the employers consistently made references to 'IT' to illustrate their point that the education system appeared to be promoting white collar careers as more worthy vocation-wise over 'lesser jobs' in the trades. The frequent referral of 'IT' by many of the employers is interesting because it appears to be an oblique reference to the current Government's *knowledge economy*

platform. This association between IT and the Government's knowledge economy in itself is not surprising because the original plan had a strong Information Technology and Communications (ITC) component within in it:

Being part of the new economy simply means that we apply information technology, new ideas, research and development to a broad range of economic activity...For many New Zealand companies that means that the application of IT will continue to be based on the continuous improvement and diversification in areas where we are already world leaders with innovative manufacturing and design and exciting developments in the primary sector (Hon. Michael Cullen, November 2000).

However the original ITC focus of the *knowledge economy* has been since been expanded:

It is not about abandoning the farm and the forest for the software design firm and the feature film, but about adding value and knowledge across the full range of economic activity. (Hon. Michael Cullen, November 2001)

This is a much broader view of the *knowledge economy* platform that encompasses all sectors of the New Zealand economy, with many elements in addition to ITC being deployed as vehicles for economic transformation.

Furthermore, it is in contrast to the more popular perception of the *knowledge economy* being primarily about a platform for economic transformation through the vehicle of ITC. One of the key steps of an ITC driven economic transformation is the lifting of the general IT skillbase in the economy and the acquisition of more advanced ITC skills through a refocusing of the education system on ITC. Therefore, it is not surprising that many respondents may have been linking the lack of interest in trades-related vocations by young people back to the Government and its knowledge economy platform, which many believed was both misguided and 'out of step' with real requirements of the economy.

Nevertheless, referral to the knowledge economy by employers may be purely symptomatic of their general dissatisfaction with the education system. It is quite clear that many respondents believed that the education system, particularly at secondary school level was steering a large proportion of a replacement generation of future tradespeople away from following a career in the trades. As the previous comments show, some also feel that it is also failing to properly prepare those young people who do wish to pursue a career in the trades. Perhaps few would disagree with the following assessment of the education system:

...in some ways the system is geared towards promoting a university type of education, which is you do your education and then you get a job. As opposed to a trade sort of education which is you do your job and educate yourself at the same time (Human Resources Manager, Wellington-based manufacturer).

2.2 A Lack of Apprenticeships

Employers appeared to generally welcome the introduction of the Modern Apprenticeship Scheme. However, despite the shortage of qualified tradespeople, most employers also said that there were insufficient apprenticeships on offer to those seeking entry in the trades.² Moreover, respondents said the lack of apprenticeships on offer would itself stymie current efforts being made through the Modern Apprenticeship Scheme to address the current shortfall in tradespeople. So while employers in this study clearly apportioned a large share of the 'blame' on the education system for the proportionately fewer young people seeking trades-based vocations than 10 years ago, at the same time, it was clear from the comments received from employers that even for the few who wished to pursue a vocation in the trades, that there were insufficient apprenticeships being offered for them to gain entry. The comments below are examples of the responses received:

I mean any apprenticeship you can get you're lucky to get it. My apprentice I've taken on this year, he's been a year working with me as a labourer just so that he can guarantee that he had an apprenticeship at the end of it. He was doing his pretrade course at [an Auckland-based polytechnic (Plumbing Contractor, Auckland)].

...there's hardly any apprenticeships out there for young people anyway (Glazing Contractor, Auckland).

2.3 Cost of Hosting Apprenticeships

Many of the respondents identified the financial cost of hosting an apprentice who the business might have to carry financially for one to two years as the key factor discouraging many firms from participating in the Modern Apprenticeship Scheme.

...I think the cost factor above anything else. As I say I know it has deterred people from taking on apprentices. But the government probably doesn't realise that in the first couple of years apprentices are very costly. You are paying a person [a] weekly wage and they don't know anything. You can't charge them out... (Plumbing Contractor, Auckland).

...It has been discontinued for about 8 to 10 years and it's very costly nowadays for an employer to employ an apprentice, because;

- a. *You have to pay their wages.*
- b. *You have to pay their board, you have to pay their travel and you have to pay their fees.*

If you've got a first year apprentice going away in the first year on three block courses throughout the year of a duration of a fortnight each that's 6 weeks gone, very costly... (Owner of Joinery Factory, North Island provincial centre).

² See also Angela McCarthy, 'How to Find a Training Place', New Zealand Herald, 28 August 2006. This article discusses the lack of apprenticeships in the Auckland region.

With the financial reality of how much it costs to have an apprentice, why would you have one? (Plumbing Contractor, Wellington).

...I know there's lots of plumbing companies on the Shore especially don't take apprentices on because of the cost of it. (Plumbing Contractor, Auckland).

This employer went on to say that the cost of investing in an apprentice, was leading many plumbing firms on the North Shore to 'poach' qualified tradespeople after they completed their apprenticeship at another firm. This is confirmed in the findings of the CATI survey where almost forty percent of the employers in this study sourced their employees from other enterprises.

...They rather let companies like ours take them on, train them for three, four years and then come along and poach them off us...

Other employers were similarly frustrated by 'freeloaders' poaching newly qualified staff that had completed an apprenticeship under their tutelage.

...you see at the moment we've got a situation where the firms that are taking on apprentices are footing the funding of the training of those apprentices. When those guys finish their apprenticeship and they become tradesmen you get the companies and the individual trainers out there that haven't put their hand in their pocket for any training of these guys, so they go a little bit more to offer these guys. So what they do is they can offer \$1 an hour more for a fully qualified person – so they're [essentially] reaping off our training...

This gives the impression that the act of hosting an apprenticeship is mainly an altruistic act of service to both the apprentice and the wider sector. However, it was also apparent from the comments of employers who regularly took on apprentices as part of their business programme, that hosting an apprenticeship was not only an investment for the future (needs of the business) but also enabled them to service existing business opportunities. A number of additional costs associated with hosting an apprenticeship, which are obviously not incurred when employing a fully skilled employee, were also identified.

Part of the frustration expressed by employers about the apprenticeship system is that there appears to be no system of bonding in place after completion of the Modern Apprenticeship Scheme. As a result, a newly qualified tradesperson is not required to give their host employer the right of first refusal for their services. However, one Auckland-based plumber was able to successfully work around the inability to bond apprentices once they became qualified, by making new apprentices sign up for the additional two years required to get their craftsman certification (following the completion of the four-year apprenticeship). In the process of assisting the newly qualified plumber gain their craftsman certification, this employer was also able to secure the business opportunity proffered from having an additional qualified plumber on their staff for at least two years and who might otherwise have poached by another business.

One Auckland-based manufacturer, discouraged by the inability to secure the financial and business opportunity proffered by a tradesperson following a completion of their apprenticeship in their plant, decided to not host any more apprenticeships. He commented as follows:

We had an apprentice up until last year and I'll never take another apprentice or training or scholarship person ever again. The inconvenience, the expense, the lack of government support and the politics, bullshit and red tape you got to do totally discourages anyone to take an apprentice on and the day the apprentice finished, he left. So I had four years of covering masses amounts of expensive mistakes in training him up and so did not get any financial reward from a larger charging rate once he becomes a tradesman and that's what probably discourages most people taken tradespersons on and why it's going to happen in the boat building industry and things...(Manufacturer, Auckland).

2.4 Other Factors Discouraging Employers from Hosting Apprenticeships

Aside from a widespread concern about the financial costs involved in hosting an apprenticeship and frustration about not being able to benefit from the investment after the apprentice had become qualified, few expressed dissatisfaction with the organisational and managerial processes entailed by the Modern Apprenticeship scheme. For instance, the Modern Apprenticeship requires apprentices to regularly attend block-training courses. Here only one of the employers showed any scepticism about the regular block courses (with another employer very positive about the benefits of sending trainees to block courses; both to the trainee and to their business). Instead, the requirement for apprentices to attend block courses created a cost burden on employers such as course fees, travel and accommodation (if required) and also wages for the period the apprentice was away (some employers who were not required to cover the wages of a trainee whilst they were away on a course, paid them wages out of a sense of duty to their employee).

Nevertheless, four of the employers interviewed did raise other concerns about the organisational and managerial processes involved with the Modern Apprenticeship scheme. For instance, one employer in the manufacturing sector was critical about the tardiness of the local Industry Training Organisation (ITO) that his company was dealing with, which made it difficult for his company to synchronise the training schedule of their two apprentices with the business requirements of the factory. Furthermore, it also made it difficult to manage the training plan for each of the apprentices that they were hosting.

The biggest problem we have that is the timeliness of the information. It seems to take forever. They'll do some of their assignments, they'll put in some of their evidence and the rest of it and it seem to take forever for it to get marked, for it to get collated, for it to get through. Now one of things we do with our apprentices is we give them milestones: once you've completed 20 percent of your coursework, you'll get an extra so much an hour. They have the incentive to do the work, but the problem is they don't get the reward until we get the report that actually says they have achieved that 20 percent or 40 percent or whatever it is (Human Resources Manager, Wellington-based Manufacturer).

The human resources manager went on to mention that it took four months to fully register one of their employees as an apprentice with the ITO that they were dealing with. He felt that the cause of the ITO's inability to promptly expedite the processing of core information came down to the fact that the organisation was clearly understaffed (due to being under funded).

An owner of a joinery factory likewise express dissatisfaction with one of the two ITO's that their company was working with.

The Aluminium guys are under a different stand to what the timber joiners are. Aluminium: we have one come around because they [aluminium workers] have to do their own; the workbooks they have to do and then they also go through and take photo's of all the things they do. So we have a training guy come around and check what they are doing...But the other timber ones [apprentices] we had to sign off on some unit standards (and other unit standards sign off on their block courses). Other than that I don't know what all these people that have been employed under modern apprenticeships do (Owner of Joinery Factory, North Island provincial centre).

Lastly, one of the employers belonging to the plumbing sector had this to say about the industry organisations involved with training in the plumbing sector:

...the organisations involved with plumbing are woeful and we need to clean them up for a start. We need to develop policy to help employees, rather than self-serving people (it's hard to realise how incompetent they are)...bureaucracy gone mad (Plumbing Contractor, Wellington).

The comment by this employer appears to allude to recent difficulties being experienced within the plumbing sector over training issues.

3. Failure of Immigration Policy

Immigration is a policy tool that has, since the 1970s, been used by central government to address periodic skill-imbalances within the labour force (New Zealand, 2006c). While immigration was not specifically explored by this study, six of our participating employers did raise concerns related to immigration. For instance, two employers reported that the practical working skills of migrants did not necessarily match up with their stated qualifications and experience. Here a Wellington-based electrical services contractor said:

We have a lot of Asians who on paper are highly qualified [but] when we've talked to them they do not have any the skills they say they've got or it's only a paper-based skill; not physical hands-on skill (Electrical Services Contractor, Wellington).

Another manufacturer reported;

I think it's difficult to verify the qualifications of foreign imports – you know foreign people. We have found a number have exaggerated their skill level and knowledge level; and that's common (Factory Manager, Auckland-based Manufacturer).

However, the problems encountered by this employer in verifying the actual skill level of migrant workers against the reported level of skill did not appear to affect his hiring policy, as a large proportion of his staff were migrants

...I mean we're a melting pot – we have Indians, we have Romanians, we have Czechs, Germans, just everybody. We don't care where they're from, so long as they have the capabilities to handle the job.

This employer hoped that recent changes in immigration policy by the Government would focus on addressing key skill shortages in the work force

...Anything to help us recruit people from offshore would be a help – yes.

In addition to mismatches between the actual skill level of migrant workers and their reported skills, concerns were also expressed about a lack of English proficiency amongst some immigrants. This appeared to affect the hiring policy of an Auckland-based plumbing services contractor.

...we get a lot of Indians from Fiji coming and I know you're not meant to discriminate on race, but when they can hardly speak English and our industry is very technical, we cannot afford to take on a person who cannot speak very good language and under what he must do because the repercussions down the track can be horrendous (Plumbing Services Contractor, Auckland).

When asked if steps were taken to improve the English speaking skills of migrants and whether this would improve the employability of migrant groups with poor English, the plumbing contractor was sceptical:

No, because it's too technical. Right from the word go, they've got to learn the names of basically thousands of pieces of equipment; tools, all those sort of things. If just one thing is misunderstood for instance which type of valve you use, you know what can happen is just – we would not be able to cope with that financially.

Clearly from the perspective of employer liability and employee safety, this individual probably reflects the feelings of other employers about the need for employees including migrants to have a good command of English. However, poor command of the vernacular did not prevent an Auckland based manufacturer hiring a migrant as a skilled welder.

...we have an Indian chap, about 50-odd. He has huge experience welding-wise, but he virtually can't understand English. It would be to our benefit and to his for him to undergo English teaching and we are looking to fast-track that now (Auckland-based Manufacturer).

Despite some employers experiencing issues with migrant workers, there was a consensus that importing skilled labour from overseas through immigration would be necessary if major supply shortfalls in the labour market were to be filled especially in light of the time it takes to train a fully qualified tradesperson. Employers interviewed also argued that for immigration to properly function as a viable and effective source of skilled labour, immigration policies needed to be fine-tuned to ensure that only migrants with both the proven level of skill and a working command of English were brought into the country.

EMPLOYER RESPONSES TO THE RECRUITMENT AND RETENTION OF STAFF

Nearly all of the employers participating in this study reported experiencing varying degrees of difficulty sourcing appropriately skilled labour for their respective businesses. While a number had noted an improvement in the supply of labour since the last quarter of 2005, this was mainly towards the lower end of the skill spectrum, with many participants experiencing difficulties sourcing higher-skilled workers such as qualified tradespeople. This section will examine how participants have responded to the tighter conditions by looking at how it has impacted on the strategies they use to source potential employees and their general hiring practices.

1. Sourcing Strategies and Hiring Practices

In light of the difficulties employers have encountered in sourcing appropriately skilled labour and the prospects of the ongoing tightness of 'supply' for the foreseeable future, many employers are adjusting their hiring and sourcing strategies in order to increase their chances of finding appropriate staff. According to one of the participants in this study:

...what's changed is [that] the employer is much more willing to accept people who don't have experience in the area they are looking for but are good employees in general and then take the time to train them up. Previously I think you'd probably find for a factory worker if you haven't been a factory worker before they wouldn't employ you. So you're looking for experience first off and then characteristics after that whereas now I think you'll find certainly in this employment position you look the other way. You look at characteristics, attitudes and aptitudes first and experience second so I think it's been a change (Human Resources Manager, Wellington-based Manufacturer).

The comment above indicates that for some employers, the tighter labour market conditions had precipitated a fundamental shift in the selection formula used by employers to hire staff. According to this individual, hiring practices have traditionally been focused on task-related skills and direct industry experience, with factors such as characteristics, attitudes and aptitudes serving a lesser role. This will, of course, have an influence on what staff are likely to be sourced, with the search primarily focusing on locating candidates with task-related skills and direct industry experience. Nevertheless, due to the difficulty in finding suitable candidates using the traditional strategies in the current employment environment, employers have been forced to place greater emphasis on other factors or characteristics such as attitudes and aptitudes. Such a change in how staff is hired is likely to broaden the recruitment criteria used by employers to source staff (and perhaps a change in the methods used to locate new workers). In addition, it is possible that the list of candidates being considered for a role and the individual eventually chosen will also be different from previous circumstances.

Such a shift in the hiring process (in response to the difficult labour conditions) was not mentioned by the rest of our sample group of employers. Apart from two firms, the comments received from the employers interviewed indicate that most employers in our sample group had not responded to recruitment difficulties in the way outlined by the human resources manager. While participants in general attached considerable importance to personal characteristics, skills and experience still took primacy when deciding on a new employee. In addition, despite the difficult labour market conditions, many participants had not significantly altered how they sourced staff.

The majority of employers in our sample appeared to recruit staff through newspaper advertising (almost 50 percent) or word-of-mouth (23 percent), with only a small number of participants seeking to expand their recruitment by using employment agencies (11 percent) or directly approaching an educational institution within their sourcing mix (one employer).

2. Reactions to the Labour Market Situation

The reaction of most employers to the short supply of skilled workers and qualified tradespeople differed. In the first place, most employers in the trades sectors strongly adhered to traditional approaches in their hiring and sourcing practices. Apart from two employers, most in the trades appeared not to adjust their individual processes for hiring and sourcing staff. This was not surprising, especially when, as one individual from the electrical services sector noted, those involved in the trades are for both practical and particular legal reasons largely reliant on the services of qualified tradespeople. This places a natural limit on the size of the recruitment pool from which individual employers can source potential staff. Furthermore, the strong reliance on qualified labour by the trades places a constraint on the ability of employers to be able to look at alternatives with regard to their respective strategies for hiring and sourcing.

There was, however, a similar approach towards recruitment amongst the eight respondents in our sample belonging to the manufacturing sector. In contrast to employers in the trades sectors, it was clear from the comments received that most members of the manufacturing sector had attempted to diversify how they sourced staff to meet workforce requirements.

3. Alternative Channels of Supply

Two respondents from the manufacturing group and one from the building and construction sector approached Private Training Establishments (PTE) as a potential source of supply. Given that only three employers approached PTEs, it is difficult to make any generalisations about their effectiveness as alternative channels of labour supply. However, the feedback that we received from all three about PTEs can best be described as mixed.

For instance, one Auckland-based manufacturer was very satisfied with the employees his local PTE had provided him:

As far as institutes and polytechnics we tend to use the local area. There's a local welding school in Penrose and in fact we've just employed two people from that school who have just qualified. They rang me up as they do each year after each semester and say 'have you got any vacancies' and that's about two months before the student comes finished and we'll take that on. The advantage to me is that they're a lot cheaper than someone with experience, because they're normally good ethically regarding work and discipline – because they had to turn up in class from 8 to 5. So they can retain the discipline for turning up here (Manufacturer, Auckland).

Another Auckland-based manufacturer approached a number of PTEs as a potential source of labour. However, in contrast to the previous employer, they had a less than satisfactory experience with all of them:

We had the privates that have private jobs and we had problems with them. I see them really just money grabbing businesses - they [just] put people through; I've had them even come through with certifications and they've got absolutely no idea how to weld! As I told you it's not a difficult trade to learn...I'm really quite disgusted with the standard of their so-called passes (Manufacturer, Auckland).

This manufacturer continued that:

The Polytechs? No. I sort of got down the track with private outfits that I thought would work well but that didn't. So I have not gone to the polytechs, the AUT's or any like that. Although I do find the standard of those through the polytechs is better than the privates.

Although satisfied by the quality of training provided by the polytechnics, this employer chose not to approach them. Instead, he decided not to widen his recruitment channels but rather to stay with newspaper advertising as the main source for new staff.

Only two employers said that they were working with local polytechnics, with both reporting that they were pleased with the calibre of individuals supplied by the polytechnics. However, most employees generally sidestepped the polytechnic as a potential sourcing-partner, primarily because as one respondent noted:

...they don't train in our industry (Joinery Factory Owner, Auckland).

Most employers interviewed approached WINZ to assist them with their staffing requirements. However, apart from two employers who had dealt with its Gisborne office, respondents were scathing in their comments about WINZ. In addition to complaints about the low calibre of the applicants forwarded to them by WINZ, respondents also raised questions about the general competency of WINZ staff that they had been dealing with. Moreover, respondents in recounting their experiences with WINZ, gave a picture of an organisation that was both bureaucratic and difficult to deal with.

We've done that in the past and found that it is a complete waste of time. You know we've been to WINZ I've tried to support them years ago but I found they're just totally incompetent. The people that are employed there are lucky to be employed if you ask me, because they just don't know what they are doing. They've got no idea. They send people that are totally unsuited to jobs, then they don't do anything. I had a position advertised for a painter a number of years ago and no one was sent; [so instead] I filled the job out of the Herald and rang them and asked them to withdraw the vacancy with them, their records and nine months later they rang me up and said they had someone for our position so that just gives you an indication of...how competent they are. They still had it on their records and nine months later they still hadn't filled it. That's just a painters job a basic painters job that the skills are very limited in that area and other contacts with WINZ have been shocking (Manufacturer, Auckland).

I generally don't bother with that sort of system particularly...WINZ is about the main government provider of employment opportunities and most of the people they send down I wouldn't even let in a factory (Human Resources Manager, Wellington-based Manufacturer).

What I found with government agencies, take Work and Income or any of those labour departments they must work on a bonus scheme for placing people. They don't really give a rats. They just try to get as many people into as many jobs as possible whether they're suited or not suited. So we've sort of given up using those government departments because we've found they just send us people that they make lies up. They're absolutely hopeless (Manufacturer, Auckland).

I have gone to government agencies in the past. There are some from WINZ don't make you light up. A percentage gives you the impression that perhaps they don't want to work. I prefer agencies, who charge a finder's fee. They will tell you that in 10 months a person never missed a day. With WINZ you get many a person who's been off work for 6 months and you wonder why (Manufacturer, Auckland).

..we contacted Work and Income three years ago in Onehunga; the one recommendation. I then contacted my sister in Browns Bay and she was dying to send me some people but because the demographic area of each she couldn't. We did contact Work and Income, no response (Manager, Auckland-based Manufacturer).

While some of the comments received refer to individual employer experiences with WINZ over the past two to five years, the depth of feeling expressed about the organisation indicates that it clearly has a lot of work to do before it can become a valued and trusted source of recruitment for employers.

From the responses received from employers, it is quite clear that most respondents' experiences of external organisations such as WINZ was generally negative. Although this study did not examine the entire range of sourcing options that respondents may have looked at, the negative encounters with organisations such as WINZ may help to explain why so many in this study believed that, despite the relative ineffectiveness of traditional modes of sourcing in the current hiring environment, there were few alternatives available to them that they could rely on. Perhaps as with one employer from the manufacturing sector, many in that sector, after undergoing a bad experience with WINZ or a PTE may have decided not to risk any additional time and business resources evaluating other modes of sourcing. As a result, most have remained with traditional approaches to hiring and sourcing.

4. Responses to Skills Shortages

Several respondents did actively respond to the tight labour market conditions. Here, through the careful adjustment of the processes by which they used to hire and source staff, employers were able to locate (with varying degrees of success) appropriate staff for their enterprises. As a result, rather being disadvantaged by the difficulties in finding suitable staff, employers sought to find solutions to the problem.

For instance, one respondent (a bakery owner from a provincial North Island centre) who had encountered considerable difficulty in sourcing staff turned to a local employment agency to assist them. The involvement of an employment agency subsequently led to a significant lift in both the number and calibre of candidates for each role they were seeking to fill. As a result, they found the

process of locating and selecting appropriate staff for their baking operation a much easier process than it had been in the past:

Originally we've advertised ourselves in the local paper. It is very hard to find the right person who can work in a plant environment. You really need someone that had some sort of factory background. I've actually employed someone from WINZ and he's working out really well. I've decided with this new lady, the new company we're dealing with; they are supplying some good people as well.

...Now that we're short listing them, we're getting the people that actually do have the skills. This new company that we're dealing with they actually got the criteria we want our staff to have so that's why they fit in (Bakery Owner, North Island provincial centre).

Two manufacturers in our sample of employers also mentioned that they regularly used agencies to help them locate suitable applicants for their respective operations. Here one of the two firms, an Auckland-based manufacturer, said that the reason they engaged the services of an employment agency was because it had access to a wider pool of suitable applicants and saved them valuable time.

Our preferred source of new employees is the agencies that screen people and then give a shortlist, advertising directly and may be giving you 20 C.V.'s. These are screened and then there is a shortlist of two or three people who are interviewed. It's a time factor also (Manufacturer, Auckland).

However, the benefits accrued from the use of employment agencies by three of the employers in our sample needs to be qualified. All three employers seemed to employ relatively sizeable workforces. Furthermore, two of the employers appeared to source from the lower-skilled end of the labour market to fill their respective staffing complements. Nonetheless, two employers from the building and construction sector were able to find a somewhat different answer to the 'problem'. Here one of the firms concerned was an Auckland-based glazing contractor who primarily relied on newspaper advertising to help them fill vacancies, because:

I would say that's the only medium that you could go through, because, well I don't know, may be there is another way or form of advertising. Word of mouth? (Glazing Contractor, Auckland).

Furthermore, like many smaller firms in the trades, they did not hire apprentices and restricted their recruitment only to fully qualified glaziers:

...because we have to have skilled staff to actually do the glazing work, they need to...have gone through an apprenticeship.

However, following the Christmas-New Year break, the glazing contractor was forced to advertise for a new worker after one of their staff decided to "...move up north". Given the persistent short supply in the labour market for qualified tradespeople, they had considerable difficulty finding a replacement trained glazier.

We did advertise and none, we just had a terrible time sort of trying to get anybody.

The employer freely admitted that the company had not employed apprentices in the past. Nevertheless, due to major problems in finding a qualified glazier, they have now hired a school leaver on a three-month probationary period with the view to offering him an apprenticeship should he prove satisfactory.

No we don't do any training or in saying that when we were looking for a skilled glazier but we've [now] had to employ a young boy who's 18. So we've put on a three month trial and if he performs to our satisfaction and gets on with everybody and looks like he's like the job, we're going to be offering him an apprenticeship

..we've got three trained glaziers that will be able to help him out and yes there is training going on..

Essentially the inability to find a fully qualified glazier has led this firm to change its hiring and sourcing procedures.

This firm was not the only member of the building and construction sector to look for a creative solution to the problem of locating qualified tradespeople. A Wellington-based electrical contractor, in response to chronic shortage of registered electricians, said they had decided to deploy unskilled workers to undertake specific tasks that were not by law required to be undertaken by a registered electrician:

We're looking at trying to use unskilled staff to do what was predominantly registered work. Basically where there is a grey area we'll actually have to look at using unskilled staff; not where it depends on safety but it means that where an electrician used to put something up, a bit of structural work, we'll get fitters and turners or labourers (Electrical Contractor, Wellington).

The employer commented that the main reason why the company is considering using unskilled labour for some jobs comes down to the fact that it has customer deadlines that it is required to meet within a certain timeframe:

We've got to work around it because it takes three to five years to train somebody and we haven't got that long

Therefore the ongoing difficulties faced by this company in securing sufficient staff to maximise the business opportunities available to it, has led it to re-examine how it organises its workforce. In particular, it has undergone the process of examining its job management plan and identified which tasks can be legally performed by unqualified staff.

Two firms from the trades-sectors have modified their hiring strategy and sought to find alternative modes of sourcing appropriate staff. Because both employers had only recently changed their procedures for hiring and sourcing staff at the time we interviewed them, they were not able to provide us with an assessment regarding their overall effectiveness.

For one Auckland-based plumbing contractor, hiring unskilled staff was preferable to hiring qualified staff from the labour market.

Qualified staff. We've employed them in the past and they've been trained by other people [and] that's not been satisfactory. We don't do that now; we take kids straight out of school and train them the way we want (Plumbing contractor, Auckland).

Essentially, this firm has decided to *self-source* its own complement of qualified trades people by diverting business resources away from hiring and sourcing and instead investing them in training additional apprentices.

Several employers have managed to successfully broaden the channels which they use for recruiting, with one firm no longer relying on traditional modes of hiring and sourcing of staff. While each have used different methods to diversify their hiring procedures, all have taken a number of risks to find new and sometimes creative methods of filling their respective staffing complements.

STAFF TURNOVER

The previous section explored whether participants in our study had modified their procedures for hiring and sourcing employees in response to the tightness of labour supply. Another strategy used by employers was to maintain the stability of their workforce through the implementation of retention measures designed to minimise staff turnover.

Despite the tight labour conditions over the past three to four years, only two of our respondents reported experiencing a significant increase in staff-churn during this period of time. Both of these employers managed larger concerns and said that the increase in staff churn appeared to be driven by the higher-pay rates on offer in the marketplace plus a desire amongst some workers to move to a new employer in order to broaden their skills and gain new experiences. Three employers from the trades said that a number of firms within their respective sectors were actively 'head-hunting' staff from their competitors. This suggests that most employers in our study were managing to successfully keep staff turnover to a minimum. The above finding was confirmed when participants talked about staff retention.

1. Measures Taken to Stabilise the Workforce

In the first place, most respondents said that remuneration was probably the most important element within the mix of measures used to successfully stabilise their respective workforces. However, while remuneration was important, many were quick to point out that it was not the sole element in the mix, with many stating that it was largely mediated by the quality of the working environment. In the previous CATI survey, 37 percent of the employers in this sample mentioned non-monetary conditions that contributed to staff retention. Thus whether a worker would leave for a higher pay offer and relocate to another employer was determined not only by the difference in the rate of pay, but also by environmental factors related to their employer.

One of the elements identified by participants that contributed to the creation of a good working environment was the level of social rapport between the staff:

Remuneration is important. The staff - with everyone going to rugby, company team building, quad bike riding, golf etc... If you build a team, the likelihood of them accepting other offers is reduced if they're happy (Plumbing Contractor, Wellington).

We do on-going training. We have a social club and they get paid good wages and that keeps them in the job (Joinery Factory, North Island provincial centre).

More than anything I would say a good work environment, especially with the other guys. Once you get a good crew together it's very important to try and keep them together and keep them happy and not putting any bad apples in there to sort of wreck it (Plumbing Contractor, Auckland).

Other participants also said that ensuring employees felt they had a stake in the business was important, especially if the company was otherwise constrained by factors such as the rate of pay they could offer.

Well I think for staff members it's having a satisfying workplace and trying to have an atmosphere and level of satisfaction in terms of people's work environment and feeling of security and participation in the business and that sort of thing...For example on the first Monday of every month we have a staff session where we go through all the parts of interest of the business, what contracts we might have got, what projects we are working on, what developments we are working on so that people are aware of what's going on in the business and how the business is performing, what's coming up and so hopefully they will feel part of that. (Manufacturer, Auckland).

If people feel they have a stake they're more likely to stay. Something I read somewhere that think is fairly valid which is a lack of money is reason to leave but money is not a reason to stay; you won't stay in a job for the money but you'll leave if you don't get paid enough. As long as our pay rates are kind of ok [then] it ceases to be an issue – it's other things (Human Resources Manager, Wellington-based Manufacturer).

Several employers emphasised the importance of a strong working relationship between management and staff that contributed to the creation of a good working environment:

Try to create a family environment. Avoid it becoming hierarchical. Put on lunches. Keeps people happy and they feel appreciated (Manufacturer, Auckland).

I think you've got to have from an employees point of view; its got to be a good boss. So that the ship has to be well run. I think a good camaraderie between employees to other employees...and I suppose a reasonable place to work. You don't want to be in a run down old building with no air-conditioning (Plumbing Contractor, Auckland).

The plumbing contractor also highlighted 'flexibility to help employees cope with life issues' as an element in retaining staff. Many employers, especially those from the trades-related sectors, said that having a degree of flexibility with regard to time off also helped to build and cement the working relationship with staff. One Auckland-based manufacturer reported that they used flexibility measures as a way of showing their appreciation to key staff.

Well if they have problems and that sort of thing we'll work out a way they can have a few hours off here or to go and do this, do that. We don't usually dock their pay. One guy was it yesterday? He's taking out a new mortgage and that sort of thing and we told him to organise it...We'll let him have a couple of hours off to go...We're not docking his pay because we appreciate his input that he does with the business and he appreciates that as well...We try to be flexible (Manufacturer, Auckland).

Lastly, one employer found that the offer of low-interest loans to key staff also proved to be highly effective as retention measure.

2. Remuneration

As the findings reported on above indicate, the consensus of opinion amongst respondents was that the quality of the working environment was a significant factor in successfully retaining their workers. Nonetheless, the role of remuneration in the successful retention of staff should not be discounted and was mentioned by over one-quarter of the employers interviewed for this report in the earlier CATI survey. In addition, 13 percent of the responses concerning staff remuneration in the previous survey related to bonuses, incentive schemes and perks.

For instance, some respondents noted considerable price-sensitivity within their workforces:

Everybody is driven by money, you know we have to stay competitive with the going rates of employees. That's why I made that point of how much we paid our welders and some of our top cnc people. We've found people moved for 50 cents an hour (Manufacturer, Auckland).

...as I say one person that did apply, we were paying more than he was getting on an hourly rate but we couldn't offer him the overtime that he was getting at the other job. So in effect he would be getting less...we could only offer him an hour a day overtime, whereas he was working something like about 15 hours a week. (Glazier, Auckland).

However, other employers said that remuneration was not a universal concern amongst their employees. Instead, the phenomenon appeared to be limited to staff hired during the recent tight employment conditions; long-term staff, in contrast; sought to broaden their experiences and enhance their careers rather than seek a higher pay packet.

At the moment actually, for new employees it seems to be all about pay rates. Existing employees it seems more about responsibility and enjoyment and stability of the company (Electrical Contractor, Wellington).

Most people will put up with terrible conditions, rude bosses, bad location, rush hour traffic if they're getting paid well. Taking that into account I would say nothing else than the reward, the financial reward for doing your job during the week. Over half our factory has been employed here for more than twenty years. Those guys are staying because it's a comfort and convenience factor for them, they've done nothing else so they won't leave unless we shut down. But the new guys who come on board if they're offered a job somewhere else, which we have in the last 18 months lost quite a few, they get paid a couple of dollars more or they'll easily jump ship and move across (Manufacturer, Auckland).

The previous comments suggest that few respondents in our study reported any significant increase in staff churn. Despite the ongoing high levels of employer demand for skilled workers and tradespeople, this is being mediated for the most part by non-monetary factors.

EMPLOYER COMMENTS ON POSSIBLE SOLUTIONS

In the first section, many of the participants believed that the recent difficulties they had experienced in sourcing skilled workers, and in particular, qualified tradespeople was symptomatic of an ongoing pattern that would continue into the foreseeable future. While it is clear from the comments received that the recent slowing down of economic activity has led to an easing in the supply of labour for some employers, this has been focused towards the lower end of the skill spectrum. Instead, many of the employers who participated in this study reported that they were still encountering difficulties in sourcing skilled workers and struggling to maintain a full complement of sufficiently skilled labour. Most of the employers we spoke to were openly pessimistic about the prospects of any improvement in the supply of skilled labour and especially qualified tradespeople over the medium to long-term future.

Employers' doubts were founded on concerns about the efficiency of the processes involved in the re-supply of staff at the higher end of the skill spectrum. As reported earlier, two key factors within the processes of re-supply that they believed were preventing efforts to bridge the supply gap were highlighted.

The first factor employers reported on was a decline over the past 10 years in the numbers of young people deciding to follow careers in the trades. This they blamed on an institutional bias against the trades within the education system in favour of white collar careers such as IT, which was both steering young people away from trades vocations and likewise under-preparing young people seeking to enter the trades. Secondly, participants said that those young people who wanted to follow a trade faced considerable difficulty gaining entry due to the insufficient apprenticeships available. Consensus amongst respondents was that the lack of apprenticeships on offer was a direct consequence of the high costs and limited benefits associated with hosting an apprenticeship. Consequently, employers and particularly those managing smaller concerns chose not to participate in the Modern Apprenticeship programme; the requisite outlay in time, resources and money for an investment that offered them little, if any, real return and acted as a barrier to hosting an apprenticeship.

Employers' comments indicate that the drop in the rate of new tradespeople being trained raised two additional concerns. Firstly, some employers believed that the decline in the rate of apprentices undergoing training would impede efforts to increase the net supply of tradespeople required to meet the demands of business. Secondly it could also mean that some sectors might experience a decline in the number of qualified tradespeople, because it was going to be difficult to replace those who had retired or left the sector to pursue other opportunities.

Several factors contribute to employer concerns and these are discussed below.

1. Education System Needs to Promote Trades

Many of the respondents believed that there was an inherent bias against the trades within the education system, which in turn was contributing to a perceived decline in numbers of young people seeking careers in the trades. Given that young people, and particularly school leavers, have traditionally been the main source of recruits for trades training, any reduction in the pool of young applicants is of concern, particularly when sectors such as plumbing are struggling to close the shortfalls within their pool of qualified tradespeople. So it is not surprising that a number of employers called for changes to the education system, especially at secondary school level, which they felt was overly focused on preparing students for white collar careers. In particular, respondents wanted the secondary school curriculum restructured so that it was more fully attuned to the actual workforce requirements of the economy (such as qualified tradespeople). Furthermore, they also wanted trades vocations to be promoted as valid career paths, especially to young people whose mix of talents are probably better suited to a practically orientated career, as the following comments show:

I think at the school level there has to be an input about trades. Basically kids need to know that not everybody is suited to either an academic or IT job and that the trades are a very good alternative particularly for somebody who is good with their hands (Plumbing Contractor, Auckland).

They should attract more apprentices instead of going into all these computer programmes and all those idiots there are just too many of them they should have pushed them into the trades where it is more essential (Electrical Services Contractor, North Island provincial centre).

Interestingly, one respondent reported that that this was happening in their area with the local schools promoting the building industry. As a result, a significantly larger number of secondary school students in his area were showing an interest in pursuing a career in building.

Yes the building industry has become quite attractive through the high schools with students. Ten years ago IT was the industry everybody wanted to get into [so] they all jumped in at high salary levels to start with; [yet once they were] in there – [they] didn't go further up the ladder. They just came in high and stayed on the same level. Whereas apprentices come a wee bit lower and leapt up over the top of these IT people quite rapidly and end up with quite an interesting sort of career. So now the high schools and students are looking at the building industry as a real lucrative career path (Building Contractor, North Island provincial centre).

2. Strategies to Increase the Number of Apprenticeships Being Hosted

I think the time has come when we need to get more and more tradesmen in the job market. (Joinery Factory Owner, North Island provincial centre).

...Rejuvenation of the our apprenticeship scheme... (Manufacturer, Auckland).

While the education system and, in particular, the secondary school curriculum can be restructured so that students are both encouraged and better prepared for vocations in the trades, there are

currently not enough openings through the Modern Apprenticeship system for those already seeking entry, let alone the extra numbers that are likely to ensue as a result of structural changes in the education system. As one participant in this study noted, even if the education system is restructured and supplied with resources to both promote and better prepare students for trades-related vocations, the extra investment will be wasted unless there are sufficient openings through the Modern Apprenticeship system to absorb the expected extra demand for trades training by school students. If the numbers of young people seeking trades training is lifted, there needs to be a commensurate increase in the number of apprenticeships on offer.

Not surprisingly, respondents in addition to calling for changes within the education system, called for the number of apprenticeships being hosted to be increased. The question therefore is how can the number of apprenticeships hosted be lifted to meet not only the existing demand for places, but also for the greater number of young people that are likely to seek a career in the trades if, and when, the education system begins to actively promote and prepare more young people for vocations in the manual trades?

In a previous section, three participants consistently said that the primary reason why many otherwise suitable employers were deterred from hosting apprenticeships under the Modern Apprenticeship programme came down to a matter of cost; this is not only due to the high financial costs involved, but also other costs including resources, time and management. In addition, some individuals complained about the inability to bond apprentices under the existing regime. As a result, there was no guarantee that the host employer would be able to realise the benefits gained from their investment in training a fully qualified tradesperson. Instead, the only guarantee is that other employers, rather than invest the time, resources and money into hosting an apprenticeship, would instead seek to poach off those that helped create the asset.

In the interview guide, employers were asked whether in-house training was feasible for their business and how this should be structured and funded. Given that most employers from both the building and construction and manufacturing sectors reported difficulties sourcing qualified tradespeople, most respondents showed a clear preference for assistance being directed towards encouraging greater employer involvement in the Modern Apprenticeship Scheme. In particular, 10 out of the 12 employers who commented on this suggested that the payment of a direct government subsidy to employers who hosted apprenticeships would encourage greater employer participation in the Modern Apprenticeship programme and, as a result, lead to an increase in the number of apprenticeships being hosted.

2.1. Subsidised Apprenticeships

There was an interesting split of opinion amongst employers as to how the subsidy should be administered. One group clearly favoured it being used to directly subsidise the wages of apprentices, which according to an Auckland-based plumbing contractor, was how governments prior to the late 1980s administered employer subsidies.

Probably the way they used to do it which was the first year they provide 50 percent of the wages to help cover the cost of it and I think the second year they covered 25 percent. (Plumbing Contractor, Auckland).

He went on to argue that the direct subsidisation of apprentices' wages by governments in addition to reducing the cost-barrier against employer participation in the Modern Apprenticeship programme, would also provide members from his sector the necessary business rationale to justify hiring an apprentice.

I think it will encourage a lot more people to take them on [apprentices] because they know they're not having to fork out \$30,000 - \$35,000 for their wages. They're only going to have to 17 [\$17,000] which gives them the ability to sort of still make money off them, because there's some jobs which you send apprentices to that you don't charge them on.

According to the above comment, the payment of a direct wage subsidy greatly reduces the cost-risk factor associated with hiring an apprentice and, more importantly, increases the potential of an employer to realise their value. This is an important consideration because, as other participants have noted, it can take one to two years before an apprentice accumulates sufficient skill and experience to be able to positively contribute to the overall profitability of the enterprise. With the wage subsidy in place, the process of hosting an apprenticeship is effectively no different from hiring a qualified worker.

It was also asserted that in addition to more employers joining the apprenticeship programme, a wage subsidy might also encourage some employers to broaden their involvement in the Modern Apprenticeship Scheme. For instance, a Wellington-based employer said that a subsidy would justify the hiring of another apprentice by his company:

We have two apprentices which is about the maximum we can sort of get away with. We're putting them through the apprenticeship completely of our own back, but if there is a subsidy obviously it would help in terms of being able to employ an extra (Human Resources Manager, Wellington-based Manufacturer).

2.2. Subsidised Hosting Costs

In contrast, the second group of employers proposed that any subsidy provided by the Government should be used to offset non-wage costs associated with hosting an apprenticeship, in particular those incurred by hosts when sending apprentices to block-training courses.

In addition, several employers suggested that they continued to pay wages to their trainees whilst they were away from the business attending a block course, even though they are not contractually obligated to do so. They also financially assist their trainees with course fees plus other expenses. Thus any subsidy provided by the Government should be used to relieve this non-productive cost from host-employers, which it would, in turn, encourage more employers to participate in the apprenticeship programme. This is mirrored in the comments below:

Yes I say it would do...If you've got staff you're losing a days production for a start if they're at a course. You really need some sort of subsidy to compensate for that really (Electrical Contractor, North Island provincial centre).

At the moment when the joinery apprentices go to their block courses that we pay them which we do. So we pay them for eight hours a day while they're away even if that was paid instead of us paying them. We also pay their course fees which are \$300 per course; [so] those are all extra costs and they are things we do for them. We don't have to do it but imagine if you're away for three weeks and not earning any money and you've got to pay the rent and your family is left behind. They can't afford it so we pay them. So if we were paid in compensation that would make a big difference (Joinery Factory Owner, Auckland)

When I think back to the eighties when that was in place [a subsidy], we would get say, three weeks after our boy had attended [a] block course...a cheque. It wasn't the total amount of his wages because we were paying more than the amount but it was the bulk of his wages we would get a cheque for. I think that needs to happen again if the government is serious about getting more apprentices (Plumbing Contractor, Auckland).

Yeah it would be nice. It would be good because basically when they're off training...they're not productive and we're still paying for it. Yeah it would be nice if were subsidised with it. ...there used to be [that] if you had an apprentice it was subsidised by the government. (Glazier, Auckland).

They could subsidise apprentices when they go to pay fees. Every kid when he goes to sit an exam has to pay about \$800 out [and] that's not on. I reckon it should be subsidised... (Electrical Contractor, North Island provincial centre).

There are clearly two distinct schools of thought within the employers we interviewed as to how a government subsidy should be administered. Nevertheless irrespective of these different approaches, both believed that the provision of a subsidy would encourage greater employer participation in the Modern Apprenticeship Scheme. According to these employers a subsidy would not only lead to more apprenticeships being made available to the small number of individuals currently struggling to find an apprenticeship but also meet the extra demand, if and when the trades are actively promoted within the education system.

3. Alternative Funding Options

However, some participants had different views as to which bodies should receive a subsidy, with some even openly questioning whether a subsidy should be given to employers in the first place. For instance, two Auckland-based manufacturers rejected the idea of the Government offering a subsidy to encourage greater employer involvement in the Modern Apprenticeship Scheme. They felt that employers should be more willing to bear the costs involved in training new tradespeople.

No I think the employer should pay for that. You know put it this way if we had a good apprentice we wouldn't hesitate to take him on, - no because we had good experiences with our apprenticeship programme...So yeah we believe in that system. You cannot kind of cry at it and then not support it. (Factory Manager, Auckland-based Manufacturer).

...Everyone puts their hands up and wants assistance from the Government but I don't know that the Government has to do all of these sort of things. Very easy to put your hand up and say listen we want subsidies from the Government... (Manufacturer, Auckland).

This manufacturer went on to say that he refused to accept a subsidy on principle even when they had been offered to him in the past through government employment programmes.

I think it's probably a little bit greedy at times for some of the employers to be wanting these subsidies. In our business anyhow I don't feel that a subsidy is of any use to us.

Nevertheless, a building contractor from a North Island provincial centre, whilst eschewing the idea of a state-funded subsidy, did not rule out the idea of a direct subsidy being used to assist employers hosting apprenticeships. However, instead of the Government providing the subsidy, he argued that any subsidy provided should be funded by each industry. For instance he proposed that building sector could readily fund such a subsidy through a special industry levy on building consents.

I reckon there should be in the industry, a levy taken through the building consent stage...for everyone that does building and out that levy the ones that [are] taking on apprentices should be paid a subsidy from that levy (Building Contractor, North Island provincial centre).

He went onto to say that funding the subsidy via a levy on building consents would ensure that everyone in the industry contributed to the training of new tradespeople.

I don't think really you can get the government to refund it again, but I think industry needs to pay for its own training as we do through ITO's. I think a levy system would be a fairer system. You see at the moment we've got a situation where the firms that are taking on the apprentices are footing the funding of the training of those apprentices. When these guys finish their apprenticeship and they become tradesmen, you get companies and the individual trainers out there that haven't put their hand in their pocket for the training of these guys - so they got a little bit more in their pocket to offer these guys. So what they do is they can offer \$1 an hour more for a fully qualified person...and reaping the benefits off our training. If those guys that aren't training anyone had to contribute to a levy and they got a subsidy from that levy to train someone, they would and could train their own...instead of us training and they stealing.

This building contractor argued that an industry levy would ensure freeloaders also contributed to the training of new tradespeople.

Apart from differences in how the subsidy should be funded, this employer agreed that the offer of a subsidy to host-employers would increase the number of firms hosting apprenticeships. He also went on to argue that the subsidy itself may encourage smaller firms to become involved in the Modern Apprenticeship Scheme.

At the moment you've only got the larger companies training the guys and you've got the one-man-bands, the small gangs aren't training because it's not economical for them to train. Where in actual [fact] those ones [the smaller concerns] will actually give the apprentices a more one-on-one situation. If they had a subsidy from that levy those sorts of guys would take on more apprentices, which then would have a better grounding for the industry through [a] one-on-one hands-on situation. I reckon you'd get a far better apprentice training system like that.

While the offer of a subsidy is likely to lead to more employers, particularly from smaller firms, becoming involved in the apprenticeship programme, employers will still need to commit valuable business resources into the training of an apprentice. Yet given the depth of concern amongst

respondents about the lack of opportunity for hosts to fully capitalise on their investment, it is interesting that only one individual called for apprentices to bonded post-qualification. However, this was only to the extent of keeping tradespeople working in New Zealand for a period of time after they qualified rather than necessarily tying them to their host employer.

I think the Government should actually put a bond or some sort of thing on apprentices that when they qualify they're bonded here for a couple of years before they can go overseas...I think if the government is going back a bit maybe spending a bit of money on training and that sort of thing, giving employers training money and...then they should be bonding the apprentices to say you go to do two years in New Zealand post apprenticeship at your trade before you can go overseas (Electrical Contractor, North Island provincial centre).

3.1. A Model for Addressing the Shortage of Qualified Tradespeople: The ETCO Scheme

There was a strong consensus of approval amongst participants of this study to a subsidy being offered to host-employers as a possible solution to the shortfall of apprenticeships being currently experienced. There are various ways in which this could be structured. One model is presented below as an example.

The electrical sector through its training venture, The Electrical Training Company Ltd (ETCO) offers an alternative model that could be followed. Founded in 1991, ETCO was established by the Electrical Contractors Federation and Electrical Workers Union to address the rapid decline in young people taking up apprenticeships during this period of time. ETCO is unique in that unlike most other ITOs, it assumes many of the functions of a host-employer, including both the sourcing and hiring of apprentices. Furthermore, ETCO provides the initial training of apprentices before they are placed out on short-term placements with host-employers. The aim of the external placement programme is to enable apprentices to build a broad set of practical skills as they proceed through the various stages of their training programme. At the same, time ETCO works with the host-employer to ensure that the placement will actively contribute to the profitability of the firm concerned (such as ensuring that hosts only receive trainees with an appropriate level of skill for the work they will be required to do). In addition, ETCO handles most of the administration as well, including the payment of wages, holiday pay and sick pay of the placement, with the host employer simply providing an invoice for the hours that the apprentice has completed (The Electrical Training Company Limited, 2006).

Three of the participants in our study belonged to the electrical sector, and all of them had dealings with ETCO, with two regularly accepting placements of apprentices. Overall, the comments made by all three were favourable towards ETCO.

For instance one employer found that the flexible structure of ETCO's placement programme suited the requirements of his business:

Well we used to take on apprentices, but find it is easier now to take Electrical Training Company apprentices which means that I can have apprentices for six months or nine months [or] as long as I like them; I can pick up a first, second, or third year apprentices – whichever I wish. Which I reckon is ideal (Electrical Services Contractor, North Island provincial centre).

However, he did express some frustration about not being able to recently procure placements from ETCO:

...A typical example of this: I just rang ETCO...for an apprentice and they've got none available. So that means if they don't have any to be trained what do we do? We carry on regardless, don't we? The Electrical Training Company isn't doing enough to attract the apprentices to be traded out.

Another respondent, whose son had done his electrical apprenticeship through ETCO, spoke in glowing terms about its programme and, in particular, praised the quality of training that it provided to his son:

My son did his apprenticeship through ETCO and it was brilliant! He got a more varied work curriculum. I think he spent the first 18 months over at [a local dairy factory], he then went to [a local university] and his final 6 months at [a electrical products manufacturer]...he was on the bench fixing drives and things over there. It was better grounding in the trade than a lot of apprentices are getting by just wiring houses for 4 years non-stop; not doing other work as well (Electrical Contractor, North Island provincial centre).

The contractor went onto to say:

[The ETCO Scheme] works brilliant...I think some of the other trades should perhaps be looking at the same thing

As the employer states above, the training model employed by ETCO could be of benefit to other sectors. While the endorsements given by the two employers are insufficient in themselves to provide a convincing case in support of the overall efficacy of the ETCO programme as a model that other sectors could benefit from, the ETCO model does appear to offer a possible solution to a number of problems raised by employers in this study.

Firstly, the ETCO out-placement programme is designed to ensure that apprentices develop a broad range of skills during the course of their training programme. However, the ETCO programme, by placing trainees with different employers during the course of their apprenticeships also reduces the chances of a trainee becoming effectively de-skilled, whereby they learn only a narrow range of skills that are often usually related to the main activity of their host-employer. The ETCO model also addresses concerns expressed by some respondents to this study about the growing trend towards tradespeople becoming over-specialised and, as a result, effectively having only a limited range of skills. Here, respondents said that the main reason this was occurring was due to the overly narrow focus of the preparatory training that was being given to younger tradespeople.

Secondly, the ETCO model is structured so that host employers are able to both contribute to the training of the next generation of tradespeople as well as have a tangible opportunity to realise the benefits from the services of an apprentice. Furthermore, the ETCO model could be a more efficient solution to the payment of a subsidy as a measure towards alleviating the cost barriers that many participants said served as a major impediment against greater employer involvement in the Modern Apprenticeship Scheme.

Thirdly, under the ETCO model, host-employers are not forced to source apprentices - this is instead undertaken by ETCO. In addition, apprentices through the placement programme also have the chance to determine the type of working situation they would like to be involved in, and perhaps the firm they would like to work for, without having to risk despoiling their record of employment (which can occur if they happen to move to different employers over a relatively short period of time).

Lastly, the ETCO model is structured to minimise the administrative and organisational overheads normally associated with hosting an apprenticeship. These were cited by a number of respondents to this study as one of the reasons why many employers were cautious about participating in the apprenticeship programme.

Although the centralised model employed by ETCO may not suit all employers and does depend on the efficiency of the ITO, it may provide an alternative to the way the current system of apprenticeship training is structured. Essentially the ETCO model addresses many of the structural barriers identified by respondents to this study that are effectively hindering greater participation by employers in the Modern Apprenticeship Scheme. Furthermore, because it is a largely centralised model, it also provides a significant degree of accountability, which may prove attractive to decision makers at central government level, especially when they consider providing additional government funding for the Modern Apprenticeship Scheme.

From the employer responses, there is no doubt that the Modern Apprenticeship Scheme and its resourcing regime requires re-examination if it is to address the needs of the labour market.

CONCLUDING COMMENTS

This study has sought to gain an insight into the challenges that face employers experiencing skill shortages which are now persistent in the New Zealand labour market. The opinions of the 20 employers from the manufacturing and building and construction sectors, located across a number of metropolitan and provincial centres in the North Island, have been sought on a number of topics related to employment and skills. Not unexpectedly, a variety of opinions were provided by the group of employers we interviewed, and a number of key themes emerged from the interviews. In particular:

- Most employers in the manufacturing sector have recently noticed an improvement in the supply of lower skilled labour. However, both the manufacturing and building and construction (particularly plumbing, electrical services, glazing) sectors encountered ongoing difficulties of labour supply towards the higher-skilled end of the workforce – particularly for qualified tradespeople.
- Employers generally welcomed the revival of many elements of the traditional apprenticeship system of trades training in the Modern Apprenticeship Scheme. However, and in spite of the introduction of the Modern Apprenticeship Scheme, they were pessimistic about the prospects of any improvement in the supply of labour market for skilled workers and qualified tradespeople in the foreseeable future. This was mainly due to three factors. Firstly, there was a noticeable decline in the number and calibre of young people seeking a vocation in the trades. Many participants believed the drop-off of younger people seeking trades-related careers was the result of an inherent bias within the education system and, in particular, secondary schools. Secondly, there were insufficient apprenticeships on offer from the Modern Apprenticeship Scheme and finally, the cost-factors associated with hosting an apprenticeship, particularly for small employers, were a barrier to hosting apprenticeships.
- Employers from both sectors appeared to rely on traditional modes of sourcing and hiring staff, such as newspaper advertising, despite their often unsuccessful recruitment options in the current tight environment for labour. However, a number of manufacturers had in the past tried to enlist the help of external organisations such as WINZ and PTEs in sourcing staff. While feelings were mixed towards PTEs, the majority of respondents were dissatisfied with their experiences with WINZ and generally critical in their comments about the organisation as a potential source of staff.
- A small number of employers did manage to successfully broaden their recruitment options and tended to be more successful in finding appropriate staff for their enterprises than those employers who continued to mainly rely on traditional channels.
- Despite the tight supply of labour, particularly for skilled workers and qualified tradespeople, most respondents did not appear to have experienced significant increases in staff turnover. This indicates that many employers offered favourable conditions of

employment. However, a number of respondents noted that those employees which they had hired during the past three to four years tended to be much more price sensitive and willing to move to another employer in order to pursue a higher monetary offer than older staff and those who had been hired prior to the tightening of the labour market during the 2000s.

- Many participants commented that offering financial assistance to those employers who hosted an apprenticeship would increase the rate of employer participation in the Modern Apprenticeship Scheme. This in turn would lift the number of apprenticeships on offer. However, employers had varying views about whether the Government or the industry sectors themselves should fund the provision of any subsidy. Furthermore, there were splits in how the Scheme should be administered. One group favoured a direct subsidy being given to host employers to help cover the wages of apprentices and another group preferred assistance being given to employers to cover other costs associated with hosting an apprenticeship such as those incurred when an apprentice goes on a block course.
- Several employers from the electrical services industry talked about ETCO and its centralised system of managing and training apprentices. One of the employers in addition to praising the ETCO system, particularly with the quality of training it organised for apprentices, went on to suggest that other trades might also benefit from adapting it as a model for the management and training of apprentices.

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