

Building our future

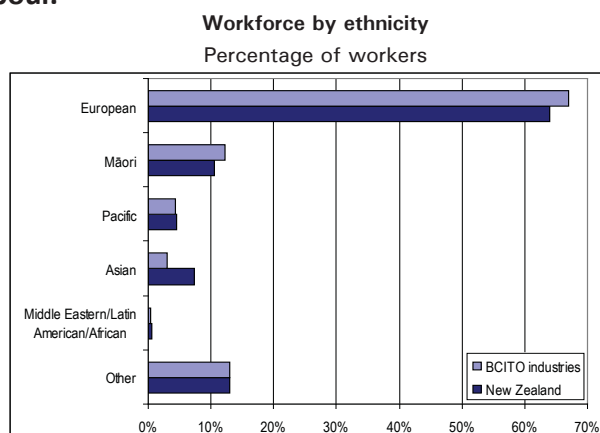
Activity & Labour

Trends

An untapped resource

Large numbers of new workers will be needed over the next two to four years to meet growing demand for building and construction. To meet this increasing demand for workers, firms could look to non-traditional sources of labour.

Workers of Pacific and particularly Asian ethnicity are under-represented in the industries covered by BCITO, although how much varies by industry and occupation. Workers of European origin, particularly, dominate house construction and other residential building construction. The highest concentrations of Maori and Pacific workers occur in concrete



Source: Statistics New Zealand Census 2006

The industries covered by BCITO are dominated by European workers, at 67% of the workforce. Maori workers represent 12% of the workforce, also higher than the national average of the total New Zealand workforce. Proportionately more Maori are undertaking industry training (nearly 1 in 5 of all industry trainees). Building and construction is one of the two most popular modern apprenticeships for Maori.

also under-represented. Only 12% of workers in these industries are female, compared with 47% of the total New Zealand workforce. Many of these are in occupations not specific to building and construction, such as administration, finance, legal, marketing and communications. The most common industry specific occupations for women are quantity surveyor and construction estimator, whilst fewer than 1% of carpenters and project builders are female.

manufacturing and services industries. Asian workers are well represented in the plastering and ceiling services industry as well as in the occupations of quantity surveyor and construction estimator.

Women are also under-represented. Only 12% of workers in these industries are female, compared with 47% of the total New Zealand workforce. Many of these are in occupations not specific to building and construction, such as administration, finance, legal, marketing and communications. The most common industry specific occupations for women are quantity surveyor and construction estimator, whilst fewer than 1% of carpenters and project builders are female.

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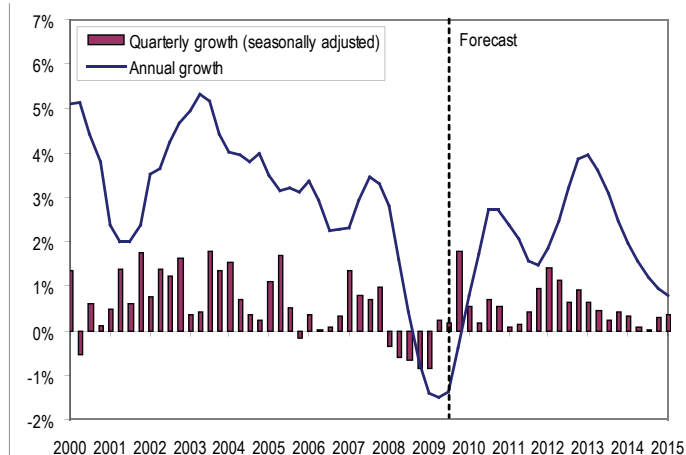
A contributing factor is fewer opportunities for part-time workers, at only 10% of the workforce in BCITO industries compared with 23% of all workers in New Zealand. The nature of the work that women tend to perform – part-time, casual and in support roles – also means that they are less likely to receive industry training. **With the right training, these under-represented sections of the population could provide a new source of labour to firms in the building and construction sector.**





Bumpy ride for economy

Economic growth
Percentage change in real GDP



Source: Statistics New Zealand; NZIER, Quarterly Predictions, March 2010

The recession is now behind us, but the New Zealand economy looks set for a bumpy ride as it gradually gains speed.

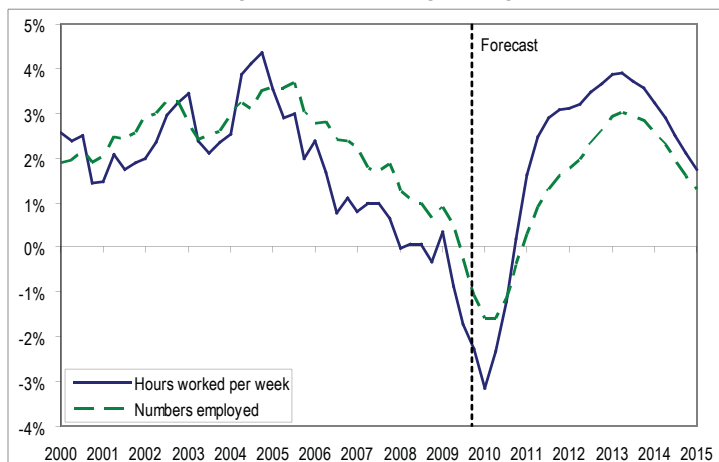
NZIER forecasts the economy to grow by 2.7% over 2010, but to slow to 1.5% growth over 2011, before accelerating again to 3.9% over 2012. The global economy has also turned the corner, but is still driving with the brakes on.

Although still subdued, the recovery is underway and firms are starting to restock and gear up for renewed demand.



Rest stop nearly over for workers

Change in hours worked and numbers employed
Average annual percentage change



Source: Statistics New Zealand; NZIER, Quarterly Predictions, March 2010

Weak demand for goods and services during the recession caused many firms to cut back on hours and staff.

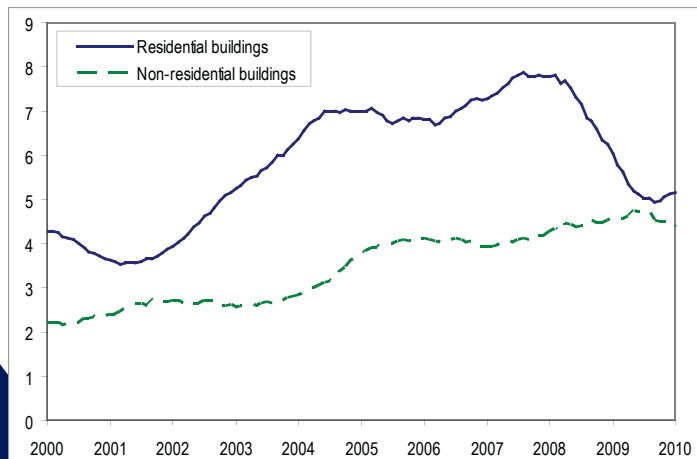
The labour market is now stabilising and should improve from mid year, after unemployment peaks at around 7.6%. Competition for job vacancies will ease and pressure on wages will build over 2011 and 2012, as the demand for workers grows and the pool of unemployed shrinks.

Firms are starting to increase staff numbers and hours to meet strengthening demand for their goods and services.



Hills and valleys in building consents

Building consents – total value
\$ billion per year



Source: Statistics New Zealand

After a steep decline, the house building sector is showing signs of renewed interest,

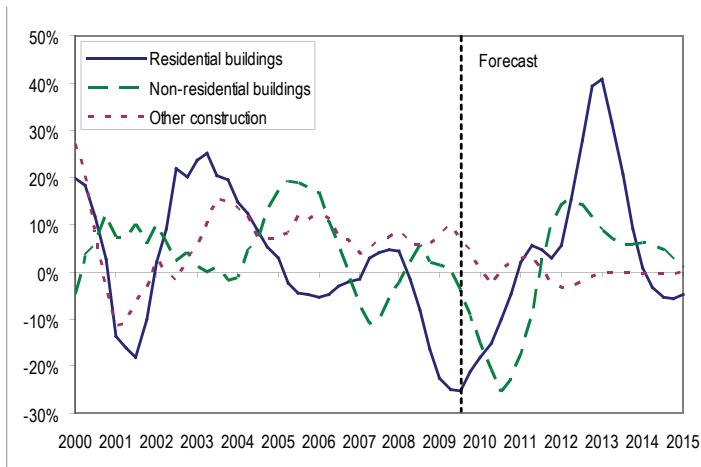
but has a long climb ahead to return to its previous heights. It is now the turn of the commercial building sector to head downhill, although not nearly as far or as fast.

The worst is over for the residential building sector, which employs around 70% of workers in the industries covered by BCITO, but still lies ahead for the non-residential building sector.



Building investment – are we there yet?

Building and construction investment – volume growth
Average annual percentage change in volume



Source: Statistics New Zealand; NZIER, Quarterly Predictions, March 2010

The outlook for residential building investment is, a shallow recovery over the next 12 months (2% growth in volume of investment), held back by rising mortgage rates and slowing net migration.

It will gain speed over the following two years (6% and 41%), driven by population growth and replacement of old housing stock. Non-residential building investment lags economic growth, so both its downturn and subsequent upturn are occurring later than for residential building investment. The recession squeezed firms' profits and has left them with low reserves for investing in new buildings. The outlook for non-residential building investment is in further decline over the next 12 months (18%), before solid growth over the following two years (14% and 9%).

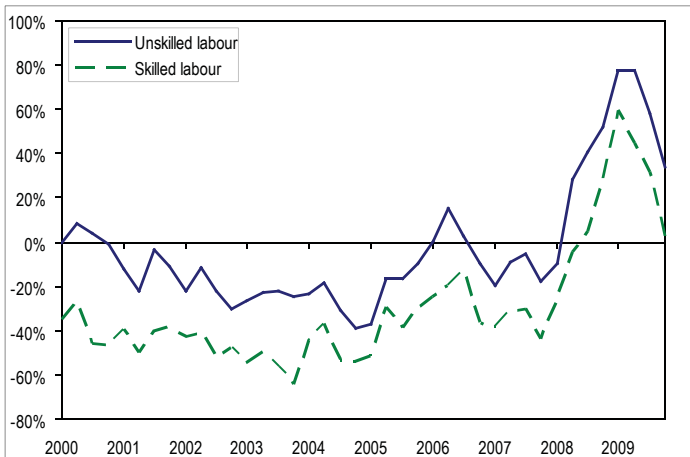
Investment in other construction (energy, water, transport and telecommunications infrastructure) remained high throughout the recession, boosted by government infrastructure spending and low interest rates. It has a fairly stable outlook (annual volume growth of 3%, -3% and 0% for the next three years).

Residential building is heading for an upturn, so will shortly need more workers to meet this demand. Non-residential building, however, has just entered a downturn. Firms and workers who are able to transfer their skills between sectors are best placed to ride out the business cycle.



A hard road to finding workers

Ease of finding labour – building firms
Net balance reporting it easier to find labour



Source: NZIER, Quarterly Survey of Business Opinion, January 2010

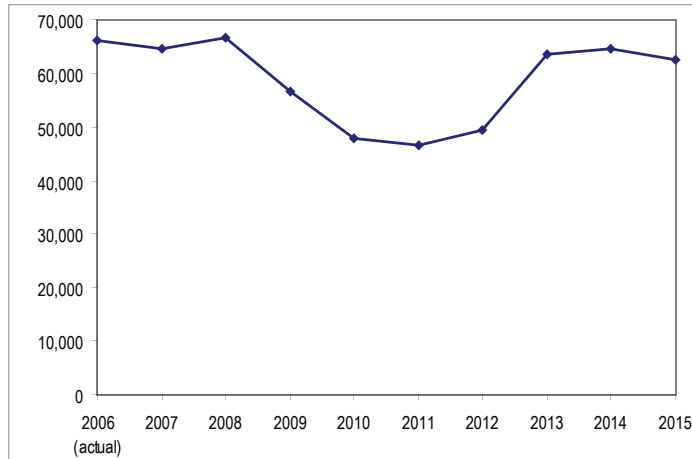
With the downturn in building and construction during the recession, it became much easier for firms in the building sector to find enough labour. Indeed, many were forced to cut back on hours and then staff. As the economy recovers, job losses in the building sector are already showing signs of slowing and labour, especially skilled labour, is becoming more difficult to find.

Firms that do not start planning and training now for their future labour needs face rising recruitment costs and potential labour and skill shortages, as the demand for building and construction grows.



Gearing up for the future workforce

Forecast total workforce needed – BCITO industries
Number of workers, year ending March

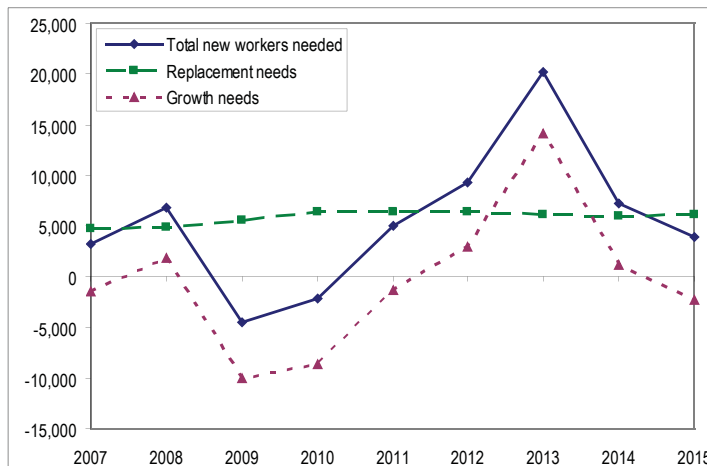


Source: NZIER, forecast exclusively for BCITO

With the downturn in demand for building and construction during the recession, especially residential building, the total number of workers needed in the industries covered by BCITO has fallen around 15% over the past 12 months. It is likely to fall slightly further (around 3%) over the next 12 months, as the demand for building and construction, especially non-residential building, remains weak. The workforce will then need to increase modestly (around 6%) over the year to March 2012 and much more strongly (close to 30%) over the year to March 2013, if these industries are to have enough workers to meet the forecast growth in demand for building and construction.

In a highly cyclical sector like building and construction, labour needs fluctuate year to year. Large numbers of new workers will be needed over the next two to four years to meet growing demand for building and construction. Training needs to start now, for new workers to become available in time.

Forecast new workers needed – BCITO industries
Number of new workers, year ending March



Source: NZIER, forecast exclusively for BCITO

Firms need new workers for two reasons – to replace existing workers who leave (“replacement needs”) and to meet growing demand for work from their customers (“growth needs”).

The industries covered by BCITO will need to recruit around 5,000 new workers over the next 12 months. In the following two years, they will need 9,000, and 20,000 new workers to replace workers leaving plus meet the growth in demand for building and construction.

These forecasts reflect slightly later recoveries in each of residential and non-residential building than expected at the time of the previous issue of Building Our Future - Activity and Labour Trends.

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