

**VODAFONE NEW ZEALAND LIMITED
WHITE PAPER**



vodafone

**“SHOW ME THE PEOPLE”
A RESPONSE TO NEW ZEALAND’S
SKILLS SHORTAGE**

1 NOVEMBER 2007

Introduction

“In these times of rapid change, every organisation and business is just one generation away from extinction.

Unless we can understand and remain relevant to the new generation of employees we will edge towards irrelevancy.”¹

Like all businesses in New Zealand, Vodafone is competing for skills in an open, global market.

That competition is becoming more intense as New Zealand’s economy has grown and labour markets have tightened.

The OECD estimates that 24 per cent of New Zealand’s skilled population live overseas – the highest proportion in the OECD.² That’s 1 million New Zealanders living and working abroad.

This paper highlights the severity and complexity of the skills shortage problem causing economic and social upheaval and recommends that a more concerted effort be put into implementing the solutions already identified by other interested parties³.

A skills shortage – how bad can it be?

“Skill shortages are now the single biggest issue facing business and are likely to remain one of the big issues for the foreseeable future.”⁴

According to the Department of Labour’s Job Vacancy Monitor, total job vacancies rose 1 per cent, trades vacancies rose 5 per cent and IT vacancies rose 22 per cent in September 2007 compared to September a year ago.

The Department’s immediate skills shortage list includes everything from accountants and bricklayers to winemakers and yacht riggers. The long-term skills shortage list is of similar concern listing vacancies in the professions and trades, health sector, horticulture, IT and electronics and service and sales industries.

Last year, the department said there were an extreme shortage of architects, engineers and related professionals and a severe shortage of health professionals, computing professionals, nurses and midwives, and social and related science professionals.

In short, the picture looks bleak. Unfortunately, it’s even more challenging when population, migration and demographics are factored into the equation.

¹ McCrindle & Pfeffer, Bridging The Gap: An employers guide to managing and retaining the new generation of workers, page 3

² Skilling, Dr David, *The economic effects of climate change*, May 2007

³ In particular, “Skills Perspectives”, Business NZ, 2006

⁴ O’Reilly, Phil, “Skills Perspectives”, Business NZ, 2006

“The skills shortage is not just an economic reality but also a demographic reality. It will be with us for a generation or more, regardless of economic cycles.”⁵

New Zealand has an ageing population and a shrinking workforce, as do most other OECD countries. It's expected that by 2020, the number of New Zealanders retiring will exceed the number of people entering the workforce.

McCrindle & Pfeffer caution that the growing generation gaps in the workforce must be properly addressed to guarantee work outcomes and productivity are maintained. According to McCrindle & Pfeffer, **New Zealand's working population is:**

Ageing:

In 1960 the median age of a New Zealander was 26 compared to 36 today, and in a decade it will be 39. The average age of a full-time employee has also been rising from 36 (1991) to 39 (2001), and is projected to reach 42 by 2012.

Slowing:

In 1961 women averaged 4.3 children while today this figure has been halved down to 2.1 children per woman – just on par with the population replacement rate.

Shrinking:

Currently 68 per cent of the total population is of working age (15-64 years) but by 2021 it will decline to just 50 per cent.

Moving:

The New Zealand workforce is also more mobile than ever with people moving to and from the country. There are 30,300 fewer men than women in their 30's in New Zealand which is attributed to the globalisation of labour drawing men overseas⁶.

In 2001, 'professionals' made up almost 35 per cent of arrivals and departures – but only 14 per cent of the resident workforce. This reflects the increasing mobility of professionals in the global labour market.⁷

Given that 1 million New Zealanders are living and working overseas, it's reasonable to ask who these people are, what they do, and whether they would be interested in helping New Zealand businesses to achieve a competitive edge overseas.

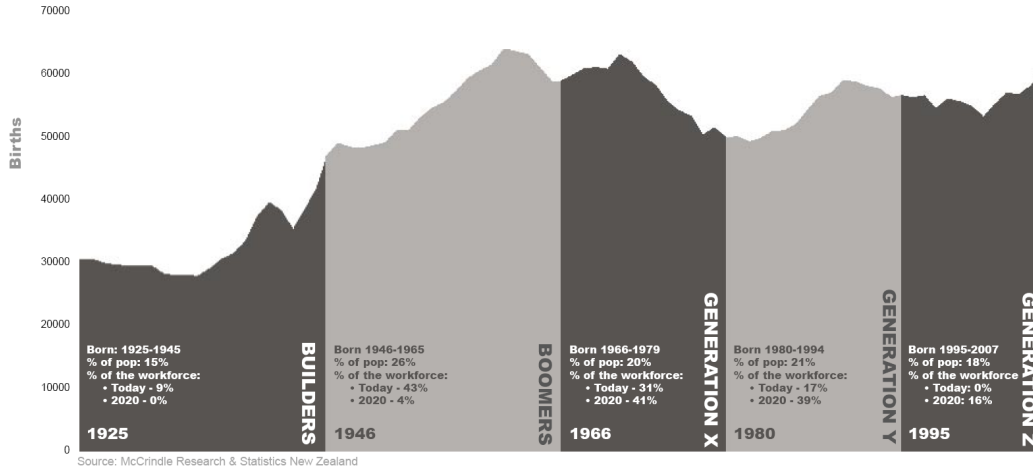
A quarter of New Zealand's workforce was born overseas, and an increasing proportion of our workforce is likely to be made up of migrants from non-English speaking countries, affecting people's work prospects, the strategies employers will put in place, and the sorts of jobs our country does well.

“Occasionally in history, rapid technological change combines with massive demographic change and with one generation society altogether alters. Today we are living in one such era.”⁸

⁵ McCrindle & Pfeffer, *Bridging The Gap: An employers guide to managing and retaining the new generation of workers*, page 5

⁶ McCrindle & Pfeffer, *Bridging The Gap: An employers guide to managing and retaining the new generation of workers*, page 8

⁷ "Work Trends", The New Zealand Department of Labour, page 18 www.dol.govt.nz/PDFs/WorkTrendsReport.pdf

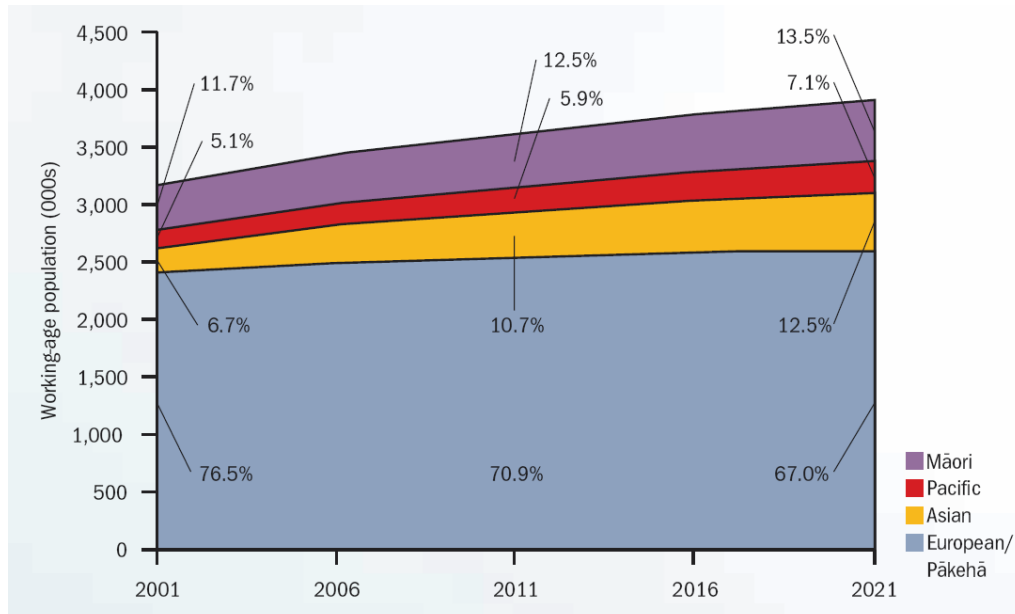


Of further concern is the projected slow down in New Zealand's population growth. Statistics New Zealand forecasts the population to exceed 5 million in the late 2020s.

The population grew at an average of 1.4 percent a year between 2001 and 2007. It is expected to grow by an average of 1.0 percent a year between 2007 and 2011, 0.7 percent a year in the 2020s, and less than 0.4 percent a year from the 2040s.

In the mid-2020s, people aged 65 years and over are projected to outnumber those aged under 15 years. Currently there are half a million people aged 65 years and over and about 900,000 children under 15 years.

While the number of children is projected to remain relatively stable, those aged 65 years and over are projected to exceed one million by the late 2020s and 1.4 million by the late 2050s.



⁸ McCrindle & Pfeffer, *Bridging The Gap: An employers guide to managing and retaining the new generation of workers*, page 10

Social impacts

As well as the economic impacts that skills shortages are having on businesses and productivity, there's also a significant impact on society, particularly where there's an inability to deliver essential social services.

For example, a recent media story in *The DominionPost* newspaper outlines the social impact on families with children suffering from cancer who will be unable to get treatment at Wellington Hospital following the resignation of the last child cancer specialist working there.⁹

Families must travel to Auckland or Christchurch to get treatment for their sick child while their siblings are often left behind with other relatives or friends in Wellington.

According to *The DominionPost* treatment cannot be offered at Wellington Hospital because resources "are stretched too thinly".

Such stories reflect the Department of Labour's statement about a severe shortage of health professionals and help to highlight the social upheaval that's caused by skills shortages.

Some government intervention

Two areas where the New Zealand Government has focused its efforts to tackle the skills and labour shortage have been in education and immigration.

The Government's 2007 Budget set aside an additional \$53 million for industry training over the next four years and aims to support 220,000 people in training annually by 2011. There were 160,000 enrolled in training in 2005.

A further \$15.8 million has been earmarked to support Industry Training Organisations.

In total the Government is investing \$76.3 million of operating funding (over the next four years) and \$2.2 million of capital funding (over the next two years) in initiatives that aim to meet skill shortages and increase skill levels in the workforce.

Education and training

Industry training provides opportunities for the acquisition of skills and knowledge by a wide range of people, including those who may not have gained qualifications at school or polytech. Industry Trainees, including Modern Apprentices, can gain a mixture of general and industry-specific skills, and can learn while employed.¹⁰

For more than a decade there's been rapid growth in industry training in New Zealand, with Industry Training Organisations established in over 40 industry sectors. The ITOs set national skill standards and facilitate the delivery of training, which is jointly funded by employers and the government.

The number of Industry Trainees increased more than five-fold, from about 15,000 in June 1993 to over 83,000 in December 2002.¹¹

⁹ *The Dominion Newspaper*, Thursday 25 October 2007, Page 1 and Friday 26 October, Page 1

¹⁰ "Work Trends", The New Zealand Department of Labour, page 42

¹¹ "Work Trends", The New Zealand Department of Labour, page 42

Immigration

As champion of the Government's Immigration Change Programme¹², Immigration Minister Hon David Cunliffe says the programme will deliver skills, security and settlement.

In 2005/06, around 27,500 people were approved under the Skilled Migrant Category. So far, in the current 2007/08 year, 7401 people have been approved under the same category.

Mr Cunliffe says the Change Programme is working, with 81 per cent of employers impressed with the performance of their skilled migrant staff and 90 per cent of skilled migrants satisfied or very satisfied with their lives in New Zealand.

The Government also recently launched its Revised New Zealand Settlement Strategy¹³, which Mr Cunliffe says is key to attracting and maintaining skilled migrants.

However, in launching a white paper on New Zealand's future with Asia¹⁴, Foreign Minister Rt Hon Winston Peters said the Government had failed to target high-quality immigrants because its immigration policies were too indiscriminate.

He said New Zealand needed a patriotic immigration policy that ensured "the economic and social welfare of the country."

While the Government's initiatives in immigration and education are welcomed, there clearly needs to be more done to address New Zealand's severe skills shortage.

Some solutions

"Turning around New Zealand's skill gap is a task not just for the education system, or the government, or business. All have a part to play in ensuring that our workforce possesses relevant skills to develop and grow world-class enterprises."¹⁵

Vodafone strongly endorses the recommendations made by Business NZ in its "Skills Perspectives" paper published in 2006. In short, the recommendations include:

- Streamline immigration procedures
- Increase numbers in training and apprenticeships
- Increase funding for training
- Strengthen links between training/education and business needs

¹² Immigration Change Programme: a framework for the future, October 2006
www.beehive.govt.nz/Print/PrintDocument.aspx?DocumentID=27584

¹³ "Our Future Together: New Zealand Settlement Strategy", New Zealand Department of Labour, July 2007
www.immigration.govt.nz/NR/rdonlyres/F2D460BA-8A84-4073-8A12-84C2BE0B1BB8/0/Strategy.pdf
"Settlement National Action Plan: New Zealand Settlement Strategy", New Zealand Dept of Labour, July 2007
www.immigration.govt.nz/NR/rdonlyres/5A045541-0E5F-4B37-A2F4-0D0A80ABF2D6/0/ActionPlan.PDF

¹⁴ "Our Future with Asia", New Zealand Ministry of Foreign Affairs and Trade, October 2007
www.mfat.govt.nz/downloads/foreign-relations/asia/asiawhitepaper.pdf

¹⁵ "Skills Perspectives", Business NZ, 2006

- Increase workplace literacy and numeracy
- Promote the benefits of increased technology use to employers
- Encourage increased training in retention strategies
- Address issues affecting international competitiveness including tax levels, resource management law, employment relations law and other barriers

Given the increasing intensity of global competition for skilled labour, it is imperative that the country's immigration policy and procedures are targeted at getting highly skilled people into New Zealand easily and smoothly. A possible area for attention would be the simplification of the paper work involved in the application process and the speed with which applications are dealt with.

As well as supporting the Business NZ recommendations, this paper further recommends that employers give consideration to:

- Acceptance of flexible working hours to accommodate social needs of workers
- Promotion of mobile workers (i.e. people working from home, or anywhere in New Zealand or even abroad)
- Use of skilled workers who are based outside New Zealand (where appropriate to a particular business, e.g. call centres or specialist consultants and professionals)

Certainly, Vodafone New Zealand (along with other telcos) is involved in industry training, e.g. through the support of the Telecommunication Educations & Skills Standards Organisation (TESSO) which is a member of the Electrotechnology Training Organisation.

Vodafone New Zealand has also aggressively recruited skilled people from within its global network importing much needed talent into the business.

And the company has recently announced a deal with Vodafone Egypt which will begin handling some of Vodafone New Zealand's 200,000 calls from prepay customers. Earlier this year the company was failing to adequately service its customers. A search to establish a new call centre elsewhere in New Zealand or Australia proved fruitless, mainly because of a lack of skilled labour.

There is no question that New Zealand businesses have to compete for skills in an open and competitive global labour market.

Projected falls in European workforce populations means there'll be even bigger carrots to attract skilled New Zealanders abroad. Other countries recognise this threat and are acting accordingly.

According to a recent news story by Reuters, the Treasury Committee of the UK Parliament has reported that immigration of skilled labour was important, but improving the country's skills base was its most fundamental challenge.¹⁶

New Zealand's political leaders, officials, businesses, educators and entrepreneurs must do everything possible to make New Zealand an attractive place to work and prosper in the modern global economy.

¹⁶ *The Dominion Newspaper*, Saturday 20 October 2007, Page C7