

The cost of keeping safe

Kirk Hope

While we deal with the challenges of Covid 19, there is no doubting the political wisdom of a closed border to help manage the threat of the virus getting into and running rampant in New Zealand.

The management of Covid propelled the Government to become the first post-MMP majority Government, and they must feel comforted that a recent UMR poll found around 66% of New Zealanders remain supportive of this policy and will probably continue to feel that way until a much greater proportion of the population is vaccinated.

We have low unemployment, most people are in some way connected to work, and the economy has rebounded remarkably strongly after a couple of stuttering quarters.

Right now New Zealand, along with the rest of the world, is trying to figure out how to get the lights back on safely after lockdowns, and how to get production underway to meet continued strong demand for our goods and services.

So far this is good news. But the pain of living with a closed border persists. While the border remains shut, the tourism sector struggles to remain solvent and fill core roles to provide a premium service to New Zealand and, when the time is right, the world.

While tourists aren't flying here, taxpayers are having to subsidise the exports flown out of the country. And until the planes are full of passengers again, that will remain the case.

The exports that travel on those planes have been reduced since Covid hit - exports overall are down some 25% - but that isn't related to demand for the products, it's because we simply don't have people to pick the fruit, or tourists to populate the planes that carry the fruit, or workers that used to holiday here, or students that used to study and work here.

Despite the best efforts of the industries concerned doing all they can to find, train and pay locals, there are still critical skills shortages in almost all parts of the economy. Employers in primary industries in regional New Zealand are now thinking about what the next season might look like. Similarly, the designers, architects, engineers and constructors of new infrastructure are thinking twice about whether to compete for contracts when they don't know if there will be the skills available to complete projects.

The theme overwhelmingly coming through key business surveys (Business NZ-BNZ Performance of Manufacturing and Performance of Services surveys) is that businesses are having to constrain their output because of lack of staff to do the work.

The implications of continued labour shortages on future inflation could be substantial, with increased costs passed onto households as higher prices for everyday goods and services. There will be increased pressure on the Reserve Bank to raise interest rates, and with high levels of household debt, those higher interest rates will eat away at households' disposable income.

Probably the biggest pain right now is at the personal level. We have a workforce that is working at full capacity, businesses report high level of stress among owners, staff, suppliers and customers, and the mental health of the workforce operating at this pace is at risk.

What can the Government do about it?

Helpfully, there are signs they are listening and have already taken some steps. Many temporary visa holders have had their visas extended for 2 years. These people work in critical and essential industries such as our aged care sector, and in our productive sectors, and it is good that they now have some certainty over their future and the value New Zealand places on their skills.

The Government also pushed back the timing of the overly bureaucratic employer-assisted visa programme as they work with industries to better assess the balance between the skills that are available and what will be needed to ensure our people don't burn out.

Here are 7 suggestions that could shift the dial in the short term while borders are shut, and in the medium term when hopefully the borders are open:

1. Allow family reunifications and pathways to residency, acknowledging that for those already here, this will not significantly increase housing and infrastructure pressures.
2. Look at immigration in terms of workforce priorities and integrate these with education and welfare needs. Improve the capacity of the health and education workforce to cope.
3. Improve the capacity of the essential services workforce – allow more critical workers to come here.
4. Keep as many businesses and workers operating as possible - reduce the number of unhelpful regulations and provide government services more efficiently.
5. Help 'growth industries' lead the recovery - primary industries, construction, infrastructure and technology companies.
6. Open up investor category visas for border exemptions to allow more foreign investment into the country, to build the infrastructure that's so badly needed.
7. Make a plan for business travel to be able to safely resume, as a priority – export and other businesses need this urgently.

Our prospects for continued health, prosperity, and the sustainability of our workforce depend a great deal on the good work the Government has done in keeping us Covid-free, but these prospects also require the Government to listen to business to help reduce the ongoing pain of our closed border and ensure New Zealand can remain internationally competitive.

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