



**RINGA HORA**

**Services**

Workforce Development Council

# COVID-19 Recovery Baseline Engagement and Data Project

Workforce Mobility in New Zealand's Service Sectors

October 2022

**SCARLATTI**

Evaluation | Analytics | Insights

# Contents

---

<b>Executive summary</b> .....	<b>3</b>
<b>Introduction</b> .....	<b>6</b>
Context.....	6
Research objectives.....	6
Research output.....	6
<b>Methodology</b> .....	<b>7</b>
Overview of approach .....	7
Data sources.....	7
Limitations of the data .....	8
Definitions .....	9
<b>Discussion: Who is counted in the Service sector workforce?</b> .....	<b>11</b>
<b>Findings Part 1: Characteristics of the Service sector</b> .....	<b>14</b>
People in the Service sector.....	14
Qualification level of the workforce.....	17
Mapping Service sector industries to occupations .....	19
<b>Findings Part 2: Māori in the Service sector</b> .....	<b>20</b>
Māori employment in the sector .....	20
Māori businesses in the sector.....	21
<b>Findings Part 3: Workforce mobility and resilience</b> .....	<b>24</b>
The impacts of Covid on workforce size.....	24
Pathways into the Service sector .....	26
Experience in the sector.....	28
Pathways out of the Service sector .....	29
<b>Conclusions</b> .....	<b>33</b>
Key insights from the research.....	33
Potential implications.....	34
Further research .....	35

# Executive summary

---

## Overview of the research

Ringa Hora, the Service sector Workforce Development Council (WDC), works to ensure that the vocational education system within New Zealand meets industry needs specifically supporting promoting the development of Iwi and Māori businesses.

The Covid-19 Recovery Baseline Engagement and Data Project seeks to evaluate the mobility and resilience of this workforce and develop strategies to increase these along with the overall skills level of the sector.

The overarching objective of this research was to understand how we can lift workforce resilience for the Service sector from a skills perspective. That is, we explore the following research question.

*How can Ringa Hora apply the lessons from the COVID-19 pandemic to support services sector businesses and employees to become more resilience to change?*

## Research findings

The data used in this research comes from the Statistics NZ Integrated Data Infrastructure (IDI).

### Characteristics of the Service sector

The Service sector has a 'core' workforce of 920,000 people in 2021: almost one-third of the total New Zealand workforce. When taking the 'non-conventional' workforce into account, the Service sector provides employment opportunities for 1,170,000 people. <sup>1</sup>That's a difference of approximately 250,000 people.

The sector is comprised of 810,000 employees (88%) and 110,000 employers (12%). Of the 10 industry groupings, *Retail & Distribution* has the biggest workforce size, making up roughly a quarter of the Service sector workforce.

The Service sector represents the richness and diversity of New Zealanders overall. We see that:

- The Service sector is not *just* for the young: 54% are over the age of 35.
- The Service sector is not *just* a launch pad for the inexperienced: 50% of new people to the sector come from other industries (and bring with them a set of existing skills and capabilities).
- At least 55% of the workforce have a post-school certificate or higher qualification.
- People are not only based in Auckland and Wellington: About 50% of the workforce are based outside of these main cities.

### Māori in the Service sector

There are roughly 180,000 Māori in the Service sector, and of those, 127,000 are full-time equivalent. Māori make up 14% of the Service sector 'core' workforce.

---

<sup>1</sup> The "core" workforce includes individuals working in the Service sector whose income meets a certain income threshold. Meanwhile, the "non-conventional" workforce refers to those who work in the sector but receive an income that is lower than the income threshold. "Non-conventional" workers are most likely to work in temporary, seasonal, part-time roles.

There are roughly 7,000 Māori-owned businesses in the Service sector. There is not a large difference in the proportion of businesses generating more than \$200,000 gross profit in 2021, 61% of Māori-owned businesses reached this point, alongside 59% of businesses that are not Māori-owned.

### **Workforce mobility and resilience**

The number of employees in the Service sector dropped from approximately 840,000 to 793,000 between March 2020 and August 2020 (6%). However, the size of the Service sector does have a seasonal element to it, peaking in the summer months and falling over winter. When zooming out and looking at the employee trends over a 7-year period, the impacts of Covid-19 on employee numbers are barely noticeable. This shows the inherent resilience of the Service sector, and its ability to expand and contract as need.

The Service sector has long been perceived as mobile and transient, with 65% of people who enter the service sector for the first time, leaving within 12 months. In some industry groupings half the people have worked in the sector for less than 48 months. A range of factors may have contributed to high churn, including the nature of some seasonal or short-term work, people's intentions when first entering the sector and ease of entry into the sector.

## **Conclusions**

### **Defining the workforce is complex, but a valuable exercise**

It has become evident through this research that there is no single best way of defining the Service sector workforce. That is, there is a whole suite of definitions that can be used to describe the nuances of who interacts with the Service sector at different points in their lifetime and career. This research only began to scratch the surface in terms of teasing out these complexities – particularly with regard to mapping out the occupations covered by these industry groups.

Further work in this area will contribute additional value to this research.

### **The 10 industry groups within the Service sector display different characteristics and levels of mobility – so training provision should reflect this.**

The 10 industry groups display different levels of attrition and mobility of workers. For example, the hospitality & food industry is highly mobile, as we would expect, whereas the financial & advisory industry, and real estate industry are relatively stable. In order to ensure the right mix of training provision, the level of mobility and attrition of the workforce (particularly in the first year) should be analysed for each industry in the Service sector. In particular:

- **The size of training programmes** – The duration of training courses should consider how long people remain in a workforce. For industries that typically feature short workforce tenure, short training courses may be more appropriate.
- **The right mix of transferrable and specialist skills** – The amount of transferrable skills included in a programme could be influenced by workforce mobility of people taking that programme. In sectors with high workforce mobility (for example, hospitality & food), it may be appropriate to include a high level of transferrable skills.
- **Choosing when to start training** – The ideal time to start a workplace-based training programme may not be at the start of a time in a role. If an industry features high levels of workforce

turnover (particularly in that first year), it may better to start only after a new worker has become established.

# Introduction

---

## Context

### Ringa Hora's purpose

Ringa Hora, the Service sector Workforce Development Council (WDC), works to ensure that the vocational education system within New Zealand meets industry needs specifically supporting promoting the development of Iwi and Māori businesses. Specifically, Ringa Hora works with industry and employers to understand the skills which are in-demand and then passes this knowledge onto education and training providers, who in turn create fit-for-purpose programmes that will give people the relevant skills to address future workforce needs.

### Research context

In March 2020, the world was rocked by the onset of the Covid-19 pandemic, leading to unprecedented lockdowns and border closures, subsequently halting, or at best significantly disrupting, the operations of many of the service industries. With some restrictions still in place two years later, Covid-19 continues to impact the New Zealand economy. Ringa Hora is interested in understanding the impact of the Covid-19 pandemic on the flows of both employers and employees into and out of the services sector, as well as where the workers come from (their origins) and where they go when they leave (their destinations).

## Research objectives

The overarching objective of this research was to understand how we can lift workforce resilience for the Service sector from a skills perspective. Specifically, this work aimed to:

1. Understand the **mobility of the workforce**, pre and during the Covid-19 pandemic.
2. Understand **Māori employment in the service sector** – particularly the impacts of the Covid-19 pandemic on Māori workers and businesses.
3. Identify the **skill levels** of those in the service industries, and whether there is any association between skill level and mobility.

## Research output

This report provides a summary of the research undertaken between May - October 2022.

For further detail, particularly for specific industry groups, refer to the online interactive dashboard here: [Ringa Hora workforce dashboard](#)

# Methodology

---

## Overview of approach

The research undertaken between May and October 2022 involved four key phases:

1. **Scope and design:** A set of research questions were developed and iterated in partnership with the Ringa Hora team.
2. **IDI query development:** These research questions were then translated into data extraction queries in the IDI, in order to obtain a set of data outputs for analysis. Further detail on the IDI is noted below.
3. **Analysis, discussion and iteration:** Data outputs were analysed, scrutinised, and discussed with the Ringa Hora team. Most analysis of the data occurred in a Power BI dashboard.
4. **Reporting and dashboard development:** The insights and findings from this research were then summarised and presented in three formats:
  - a. A final report (this document)
  - b. A summary presentation
  - c. An interactive dashboard ([found here](#))

Note that these phases were not strictly sequential. There was considerable iteration and refinement of research questions, IDI queries, and final outputs.

## Data sources

The data used in this research comes from the **Statistics NZ Integrated Data Infrastructure (IDI)**. The IDI is a large research database containing de-identified microdata about people and households. It contains data from a range of government agencies, Stats NZ surveys including the 2018 Census, and non-government organisations.

For more information about data in the IDI, see: [www.stats.govt.nz/integrated-data/integrated-data-infrastructure](http://www.stats.govt.nz/integrated-data/integrated-data-infrastructure).

Key datasets used in this work include:

1. **IRD tax and income data**

Income data is used to identify who is in the workforce at a given point in time. That is, we can identify who is earning from an enterprise in the Service sector (based on a set of industry codes).
2. **2018 Census data**

The 2018 Census provides one data source with which we can identify characteristics of those in the workforce. This includes their demographics, location, highest qualification, and occupation. Note, however, that this data is current as at 2018, so additional datasets are needed to identify whether they are still in the same region, whether they have gained further qualifications, and so on.

### 3. Tertiary education and training data

Tertiary training data (provided by the Ministry of Education and Tertiary Education Commission) is used to identify who is currently in training (at the same time as working), and who has previously undertaken training – particularly that related to the industry they work in.

#### IDI disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) and Longitudinal Business Database (LBD) which are carefully managed by Stats NZ. For more information about the IDI and/or LBD please visit <https://www.stats.govt.nz/integrated-data/>.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements

#### Limitations of the data

Below are some of the key limitations of using the IDI for this research.

##### **Some information is self-reported (and so may not be complete)**

A key part of this research was identifying Māori in the Service sector – both employee participation and Māori businesses. In the IDI, we use an 'ever-indicator' of ethnicity: if an individual has ever identified as Māori in any government data source, we identify them as Māori. However, we have reason to believe that Māori are still under-represented in this analysis, and at this stage we are not sure to what extent this is.

##### **There is a time lag for data to appear in the IDI**

There is a time lag in the data available to us in the IDI. Income and tax records for employees is relatively current (there might be a ~3 month time lag), however tax records for self-employed and business owners has a much longer lag (some may even take years to submit their annual tax return). This makes it particularly difficult for us to get a complete picture of the number of individuals in self-employment in the Service sector in recent years, and the impact that Covid-19 has had on the workforce size.

##### **Some concepts used in this work are hard to quantify**

Some concepts discussed in this research are difficult to define quantitatively, for example resilience and mobility. Rather than trying to assign a concrete definition, this research has been an exploration exercise to find examples of resilience and mobility in the Service sector, particularly in response to COVID-19.

##### **Our ability to 'slice and dice' the data is limited**

In order to ensure that all results using data the IDI are confidential, and individuals cannot be identified in our output, we must uphold a set of standards and suppression rules set by Stats NZ. This means that we are limited in the number of characteristics we can break the workforce down by at one time, before some counts become very small, and we risk individuals being identified. In practice, this means we can typically only slice and dice by two variables at a time (for example, gender and ethnicity).



## Definitions

### Workforce definitions

The analyses undertaken in this work are all based on populations (as opposed to samples). A feature of research using the IDI is that it is normally possible to analyse an entire population rather than just a sample of it as other research approaches, such as surveying, can do. Populations of specific interest to Ringa Hora are:

- Service sector businesses – i.e., all businesses within the Service sector
- Employer/employee populations - i.e., all people working in the Service sector.

Currently WDC workforces are defined using a list of **industries**, which are identified by a set of industry codes (ANZSIC codes). However, most vocational training is designed with specific occupations in mind, which are identified by **occupation** codes.

There is a ‘many-to-many’ relationship between industry codes and occupation codes. That is, one industry can include many occupations. Hospitality businesses employ bookkeepers as well as front-of-house staff. A receptionist could work for organisations such as consultancies, or manufacturers, as well as hospitality businesses.

Neither set of codes do a perfect job of defining the industries and occupations of interest to WDCs, with the degree of imperfection varying with different WDCs. Various WDCs, including Ringa Hora, are currently still in the process of working through the industry and occupation codes that apply to them.

Further discussion on how we define the Service sector workforce can be found in the following section.

### Industry groupings

Ringa Hora uses ten industry groupings to describe different parts of the Service sector, based on the types of things businesses focus on and the types of roles people play. While each of these groups are different, they all have people at their heart.

Industry group	Industries included
Aviation & Airport	Aircraft manufacturing and repair, airport operations, and air transport services
Business & Professional	Legal services, accounting, parking services, business associations, and labour associations
Cleaning	Cleaning the interior and exterior of buildings, vehicles, and street sweeping
Contact Centres & Industry Support	Call centres, labour supply services, gardening, and a range of administrative services
Financial & Advisory	Banks, insurance companies, and other financial services
Government, Defence & Security	Central and local government, the justice system, defence forces, and security services
Hospitality & Food	Accommodation, cafes & restaurants, takeaway food services, catering, pubs & bars, and clubs
Real Estate & Rental	Real estate agencies, property management, and car rentals
Retail & Distribution	Wholesale and retail of a range of products such as fuel, groceries, houseware, and clothing
Tourism & Travel	For the <i>Tourism &amp; Travel</i> industry grouping, it is important to note that the Tourism industry includes a range of businesses that provide services

	<p>to tourists. It is a cross-cutting category that is defined differently from other Ringa Hora industries and includes parts of other industries such as hospitality, retail, and aviation.</p> <p>For the data from the IDI in this project, we have only looked at the Travel industry (Travel agency and tour arrangement services.)</p>
--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Discussion: Who is counted in the Service sector workforce?

---

There are many ways to define a workforce, and different definitions can be used to serve different purposes. As discussed in the previous section, we use income and tax records, along with a set of industry codes to identify who is working in the Service sector.

This approach prompts several questions:

- How much **income** does someone need to receive in a given month in order to be included in the workforce?
- How many **months** do they have to have been working for?
- How many **hours** a week minimum do they have to have worked?

For this phase of research, we have explored two ways of defining the Service sector workforce:

1. **'Core' workforce:** We have made attempts to identify who has worked in the Service sector in a full-time equivalent capacity. To do this, we have applied an income threshold: anyone who has earned above a minimum wage income threshold for any month is included (approximately \$2,200/month).
2. **Wider workforce including 'non-conventional' workers:** An alternative approach is to include every single person who earns any income from a Service sector business, regardless of how much or for how long. For example, someone who earns \$100 for a one-off summer job would still be included.

Figure 1 below shows how the size of the workforce, by industry group, changes depending on which definition you use.

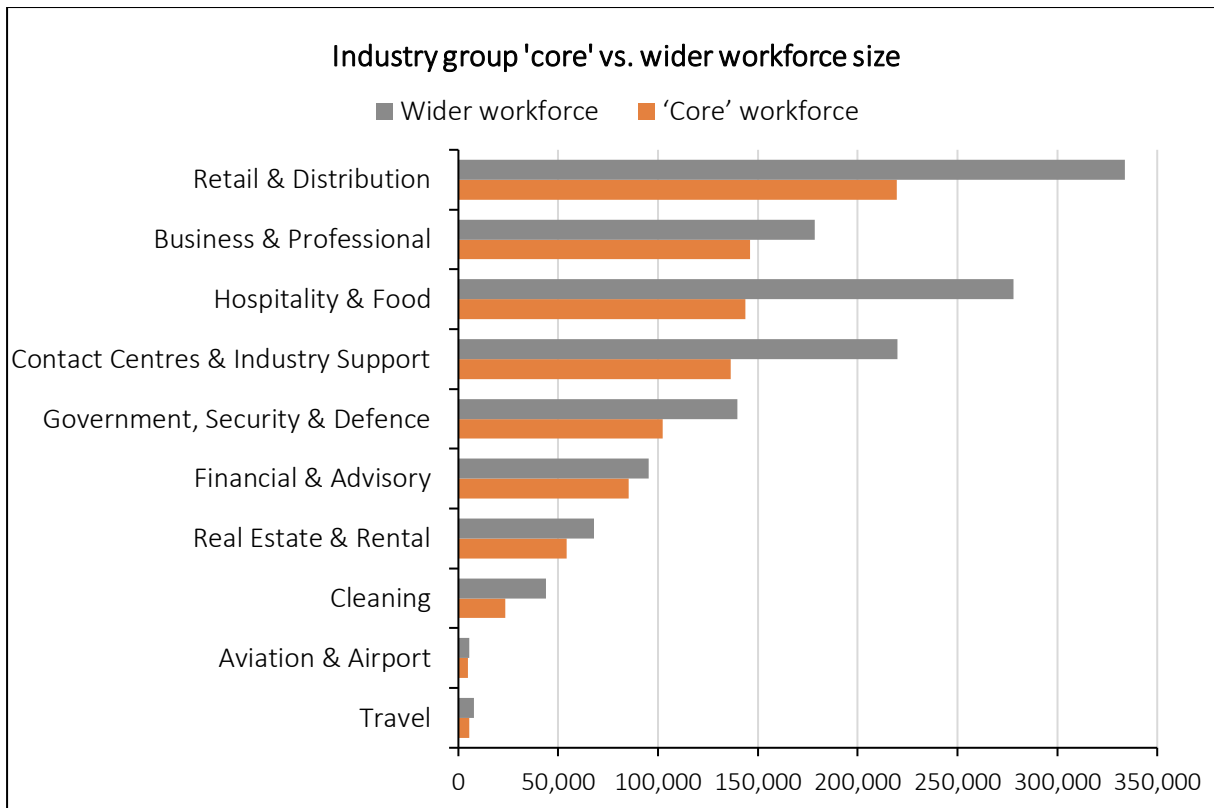


Figure 1: 'Core' vs wider workforce size by industry group

Using the **'core' workforce** definition provides a conservative estimate of the size of the sector (about 920,000 people in total in 2021). This definition is good for benchmarking against other workforce research (for example, 2018 Census counts, and other Scarlatti research). This 'core' workforce definition is typically used to identify the proportion of the New Zealand population whose primary source of income and employment is in the Service sector.

However, this 'core' workforce excludes some important groups, such as those who are temporary, seasonal, or working in increasingly prominent non-conventional patterns of work. Given these 'non-conventional' workers are of special interest to the Service sector and play a vital part in the sector's workforce, a wider workforce definition is introduced. This alternative definition includes individuals who receive any wage or salary from Service sector industries, which is more inclusive of the diversified Service sector workforce (about 1,170,000 people in total in 2021).

Figure 1 demonstrates the impact of using different workforce definitions. It confirms there are differences and in some industry groupings, such as *Contact Centres & Industry Support*, *Hospitality & Food* and *Cleaning*, the gap is fairly obvious. This means that the workforce of these industry groupings is made up of a big proportion of 'non-conventional' workers.

While the 'non-conventional' workforce no doubt plays an important part in the Service sector, it is not necessarily appropriate to include them in all analyses. Take job and industry mobility as an example: the frequency of job and industry movements will be amplified for the 'non-conventional' workforce, that combining them with the 'core' workforce to provide a 'total' view would mean neither group is adequately represented. Another example could be the retention analysis. The nature of 'non-conventional' workforce determined a majority of workers falling in this category don't intend to stick around when they first enter the workforce. Including them in the retention analysis would mean a

much shorter retention span which may not be the real reflection of people's experience working in the sector.

Bearing those complexities in mind, this research aims to consider both workforce definitions where possible. The majority of the analyses presented use the core workforce definition as well as the associated dashboard. However, it is acknowledged that there is value in adapting this dashboard to allow the user to view the analyses using different definitions, in order to observe the impact it can have on interpretation.

# Findings Part 1: Characteristics of the Service sector

## People in the Service sector

### Employment type

The Service sector has a 'core' workforce of 920,000 people in 2021: almost one-third of the total New Zealand workforce. When taking the 'non-conventional' workforce into account, the Service sector provides employment opportunities for 1,170,000 people. That's a difference of approximately 250,000 people.

The sector is comprised of 810,000 employees (88%) and 110,000 self-employed and employers (12%). Of the 10 industry groupings, *Retail & Distribution* has the biggest workforce size, making up roughly a quarter of the Service sector workforce. In terms of employment type, *Real Estate & Rental* has the largest proportion of self-employed/employers (31%).

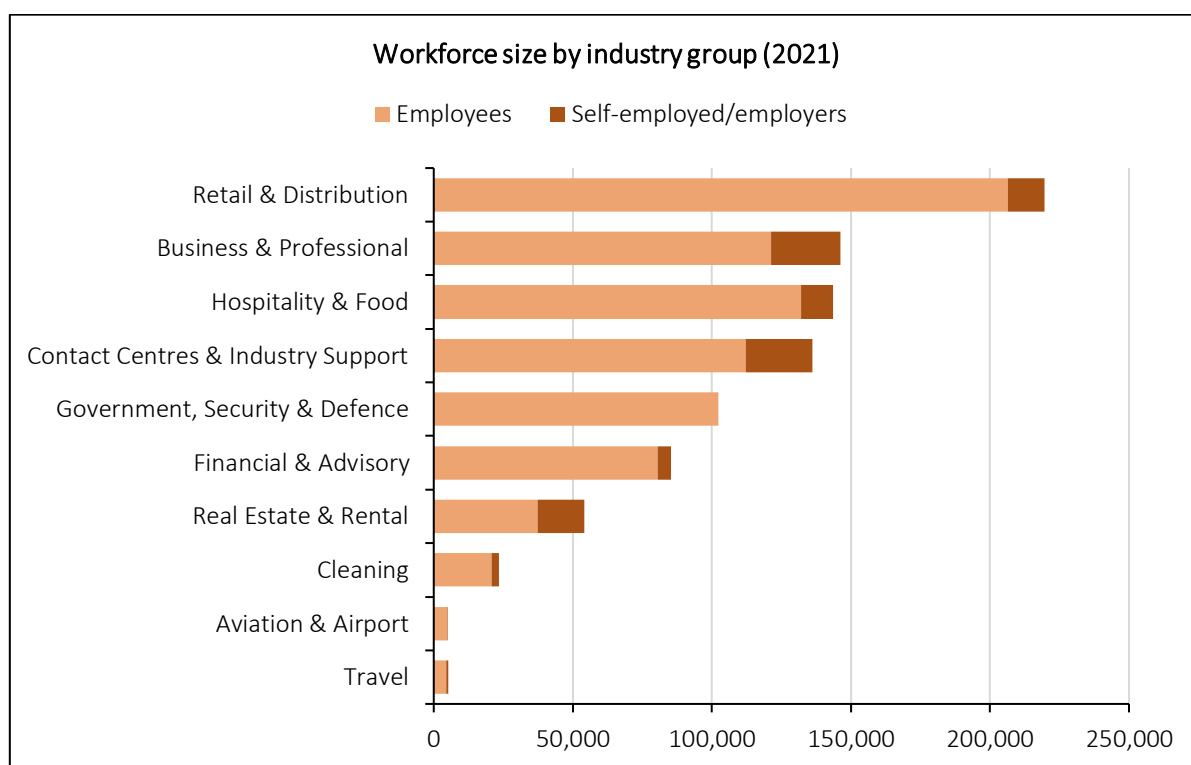


Figure 2: Core workforce size by industry group (2021)

### Ethnic breakdown of the workforce

The ethnic make-up of the Ringa Hora workforce overall represents the New Zealand population. Among the 10 industry groups, Māori are overrepresented in *Government, Security & Defence*, *Contact Centres & Industry Support* and *Cleaning* industries. In contrast, Māori participation is especially low in *Aviation & Airport services*.

Maori and Pacific are well-represented in employment across most of the industry groups. However, gaps still exist in a few industries (e.g., *Aviation & Airport* and *Financial & Advisory*) which may indicate potential barriers to entry.

Meanwhile, industries like *Contact Centres & Industry Support* and *Cleaning* industries that Māori and Pacific people are notably overrepresented are also industries that absorb big numbers of workers without pre-requisite tertiary qualifications.

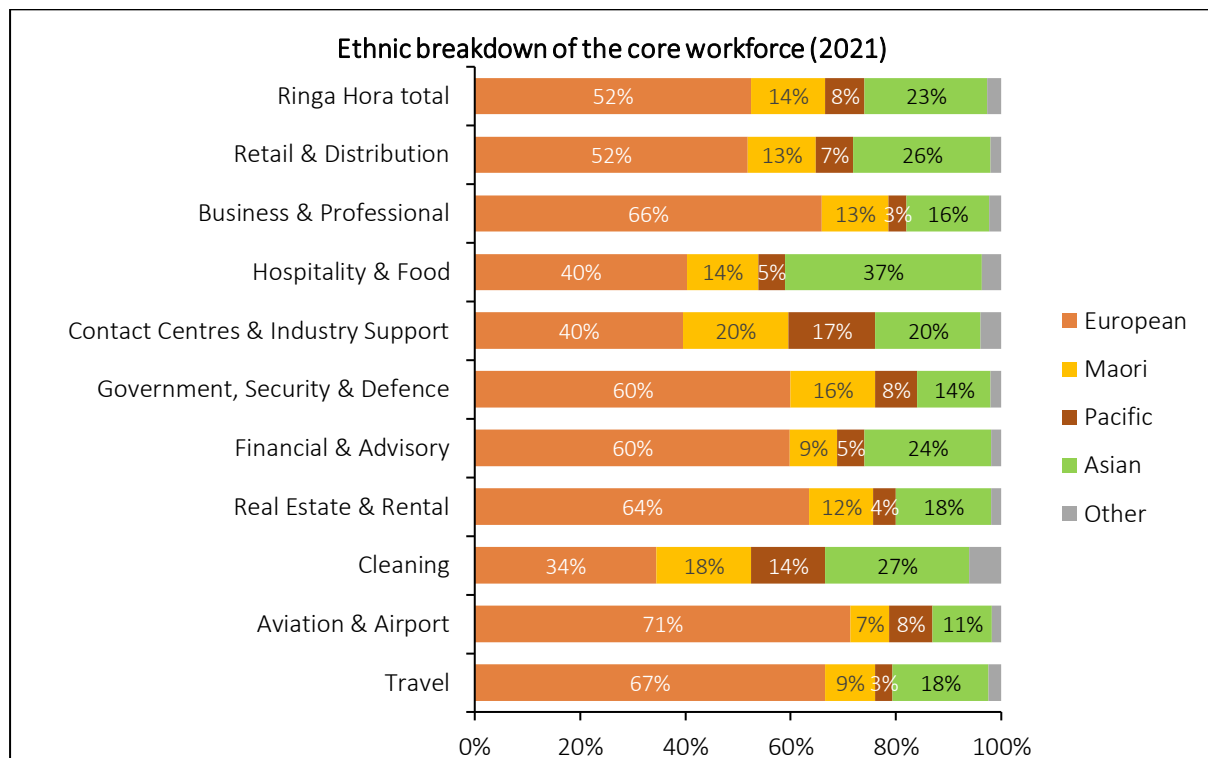


Figure 3: Ethnic breakdown of the core workforce (2021)

### Age breakdown of the workforce

The age of the service sector workforce is representative of the New Zealand population, which is against the previous public perceptions. The service sector has only roughly half of the workforce aged under 34. The *Hospitality & Food* industries have the youngest workforce among the 10 industry groups, with 61% of the workers aged under 34.

Although the service sector workforce is not much younger than the total population, there still are a big proportion of young people working in the sector. Those younger workers naturally add to the mobility and transience of the workforce.

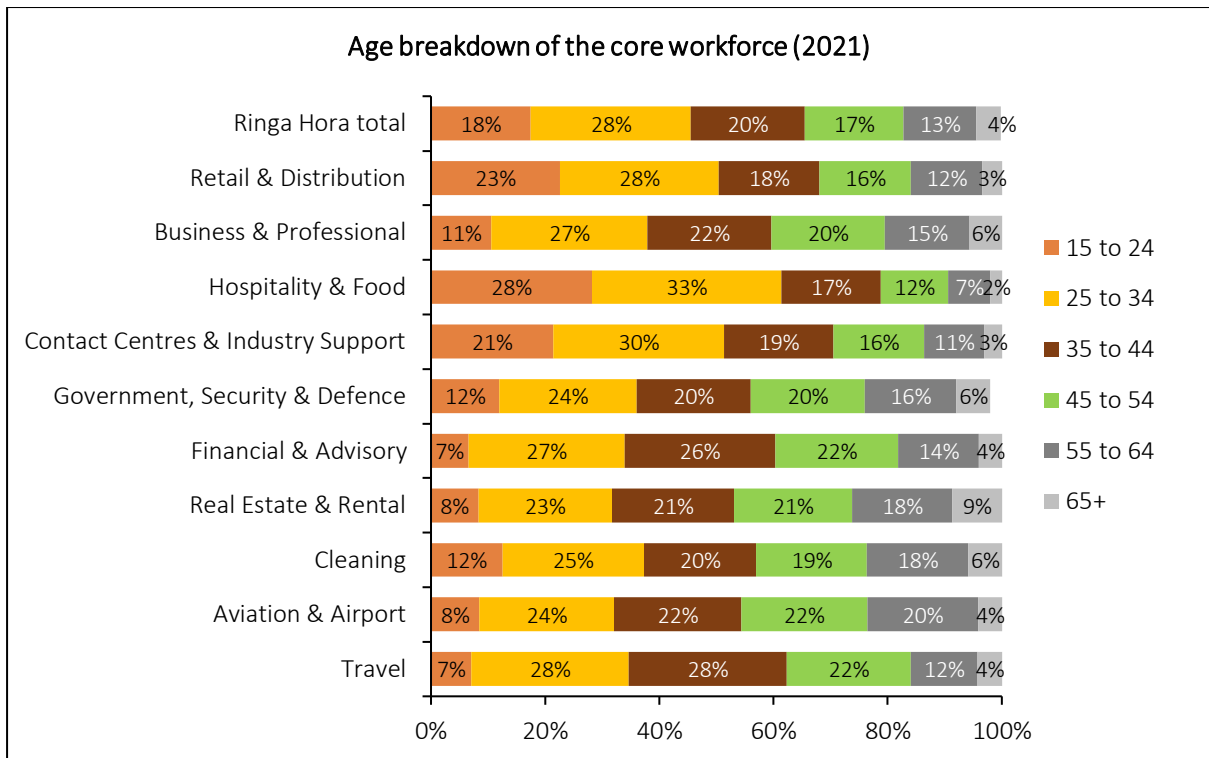


Figure 4: Age breakdown of the core workforce (2021)

## Region breakdown of the workforce

The regional distribution of Ringa Hora workforce also represents the total population. Most of the industries are widely spread out across the country, with a few industry groupings slightly more urban (e.g., *Financial & Advisory*).

The wide distribution of employment opportunities enables people from across the country to engage in the service sector. Meanwhile, it could also mean certain parts of the sector might face regional-specific challenges and issues around employment. Training options that targeting regional needs could be provided to help address those challenges.



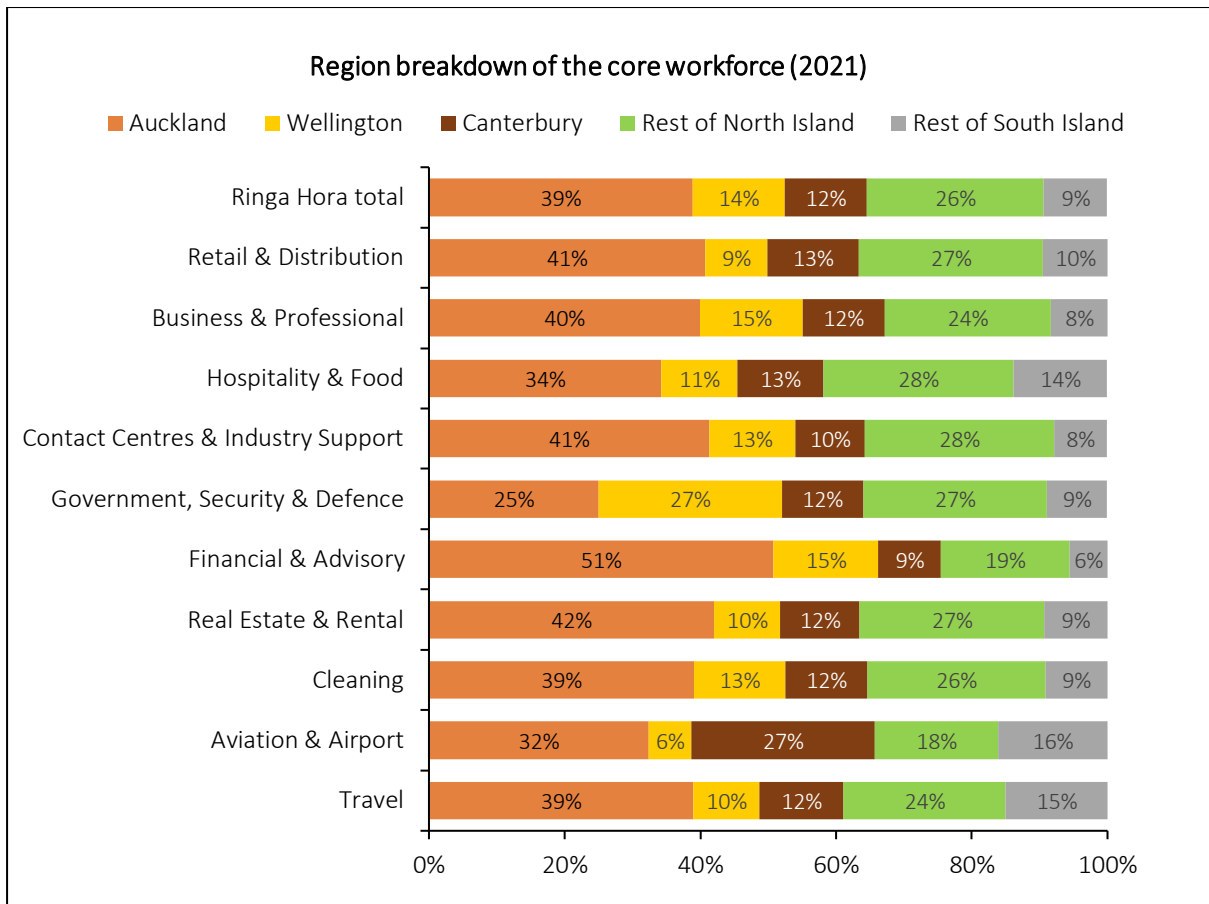


Figure 5: Regional breakdown of the core workforce (2021)

## Qualification level of the workforce

This section looks at the highest qualification completed by people in the workforce, and how this compares to the NZ population as a whole. This analysis takes the workforce in 2019 and looks at their highest qualification as stated at the 2018 Census.

Interestingly, the qualification level of the Service sector is fairly representative of the NZ population overall, with 55% of the workforce having a post-school certificate / diploma or higher qualification.

Meanwhile, gaps do exist between ethnic groups, which may indicate potential effort to be invested to narrow the gap and lift the qualification levels of the priority groups. Māori and Pacific people in the Service sector appear to have lower numbers of post-school qualifications. Just 17% of Māori in the sector have a Bachelor's degree or higher.

*Refer to the dashboard for a breakdown of qualification by industry group.*

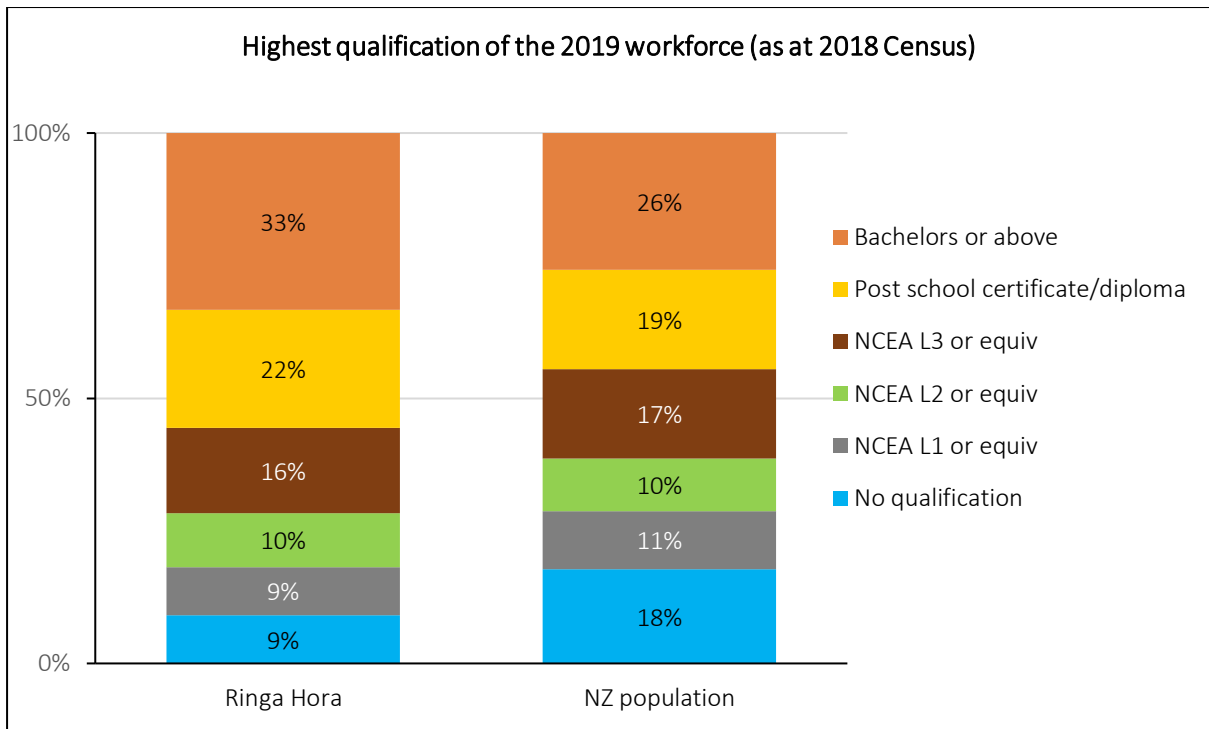


Figure 6: Highest qualification of the core workforce

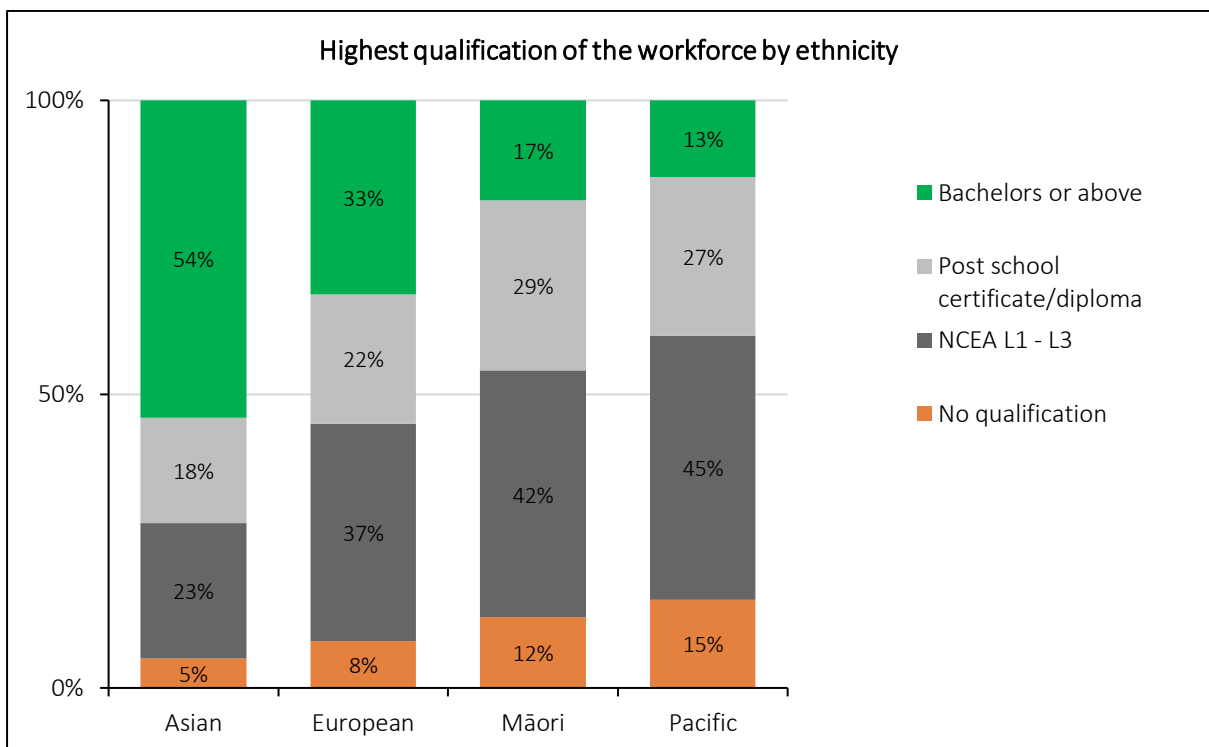


Figure 7: Highest qualification of the core workforce by ethnicity

## Mapping Service sector industries to occupations

As described in earlier sections, we have primarily used industry codes to identify the Service sector workforce. However, it is also of interest to understand how this translates to occupations. This section looks at the relationship between industry and occupation codes and the coverage that an occupation-based lens gives to the service sector.

This analysis takes the Service sector as at the 2018 Census (a point in time with which we have both industry and occupation data for each person in the workforce). Figure 8 seeks to visualise the level of concentration or diversity of occupations for each of the 10 industry groups. That is, it shows the cumulative percentage of the workforce covered by X number of occupations. For example, within the Cleaning services industry (the red line on the chart), 57% of the workforce is comprised of one occupation: *Commercial cleaner*.

Overall, what this analysis shows is that the industries in the Service sector are diverse, and cover a large number of roles and occupations. The least concentrated industries (with the largest number of occupations) are *Government, Security & Defence, Contact centres & Industry Support, and Business & Professional Services*.

This has significant implications when it comes to designing training, choices must be made: rather than focusing on 100 occupations, the most common occupations for each industry group can be analysed.

Refer to the online dashboard for a breakdown of the top 10 occupations for each industry group.

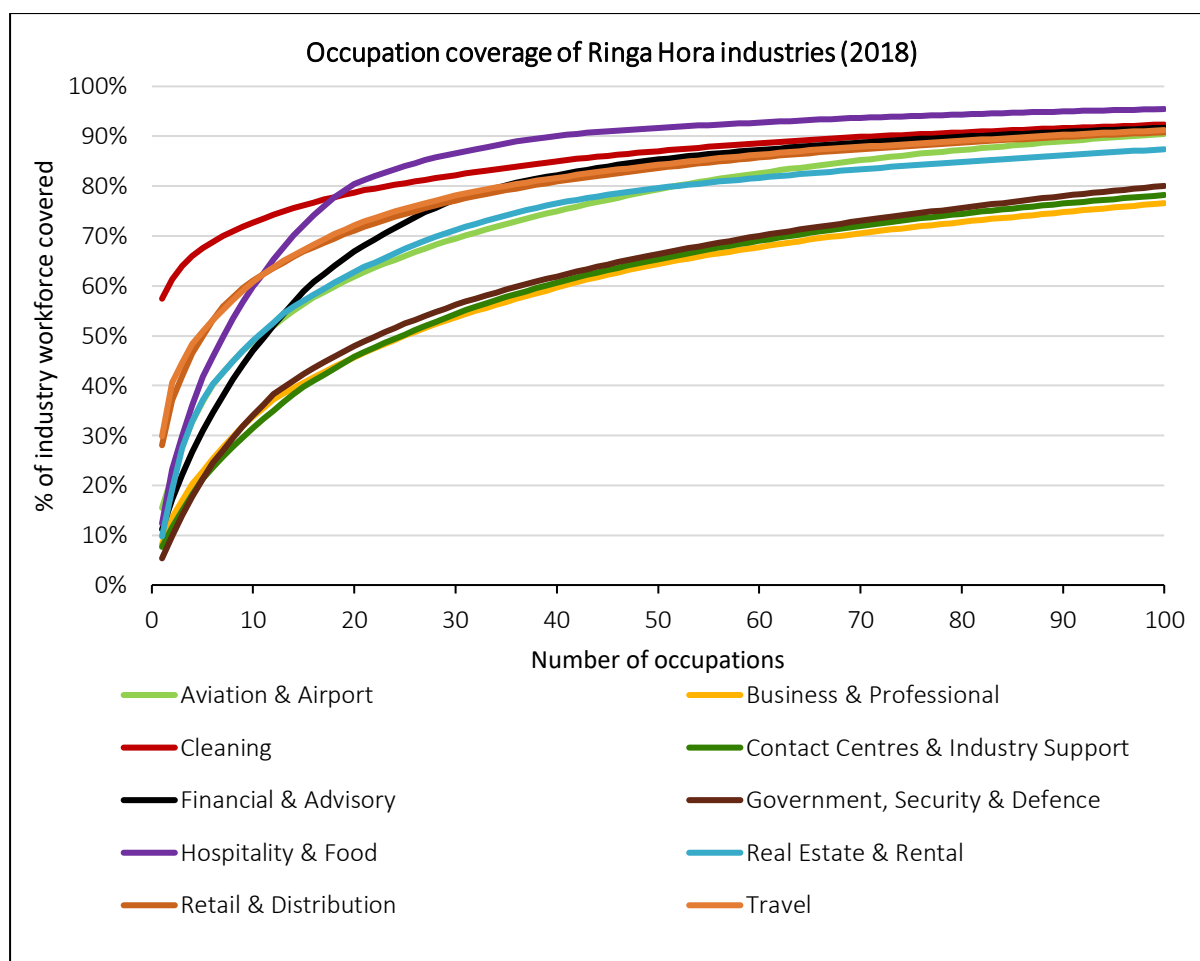


Figure 8: Occupation coverage of Ringa Hora industries (2018 Census)

## Findings Part 2: Māori in the Service sector

### Māori employment in the sector

There are roughly 180,000 Māori in the Service sector, and of those, 127,000 are full-time equivalent. Māori make up 14% of the Service sector 'core' workforce. Māori participation varies between industry groups, ranging from just 7% in *Aviation & Airport* industries to roughly 20% in *Contact Centres & Industry Support* industries.

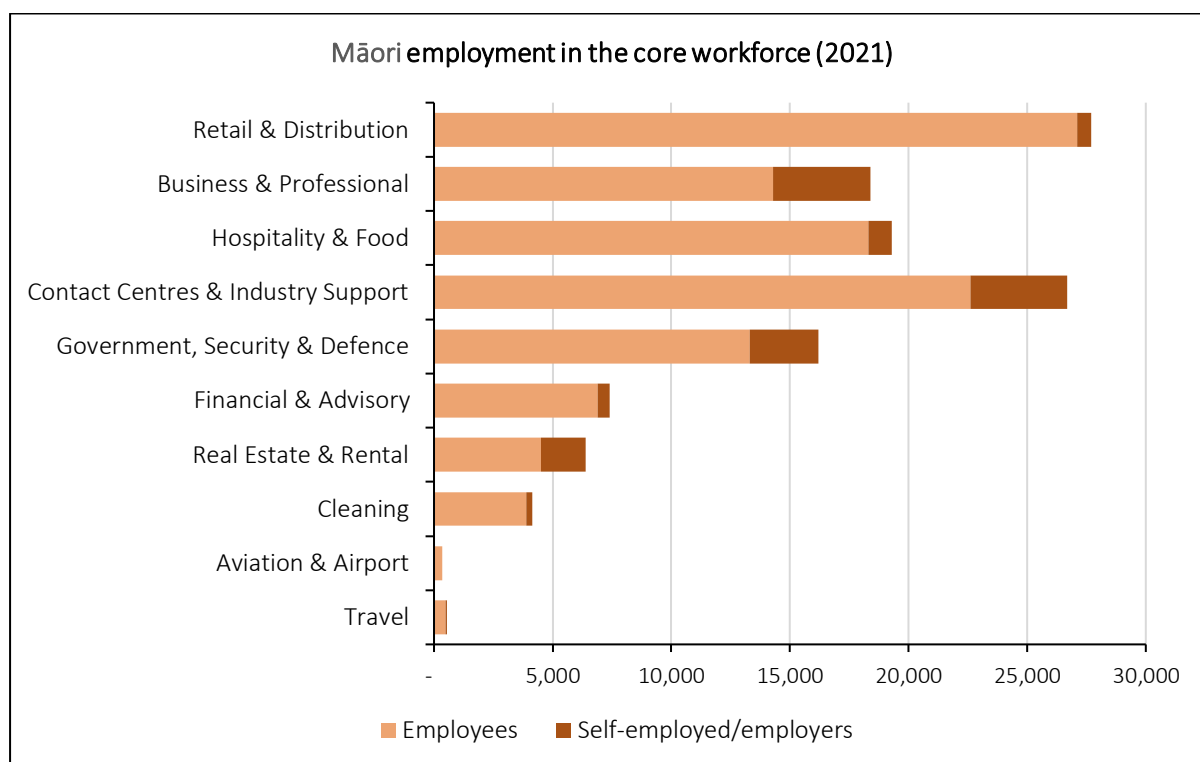


Figure 9: Māori employment in the core workforce

Māori play a particularly important role in the 'non-conventional' workforce. Nearly 30% of the Māori workers in the wider workforce are 'non-conventional' workers, compared to only 22% of the total Ringa Hora workforce being 'non-conventional'. This means that compared to other ethnic groups, more Māori workers are engaging in the employment opportunities in the Service sector that are short-term, part-time, seasonal or casual. *Hospitality & Food* and *Cleaning* industries are two industry groupings that absorb biggest proportion of 'non-conventional' Māori workers.

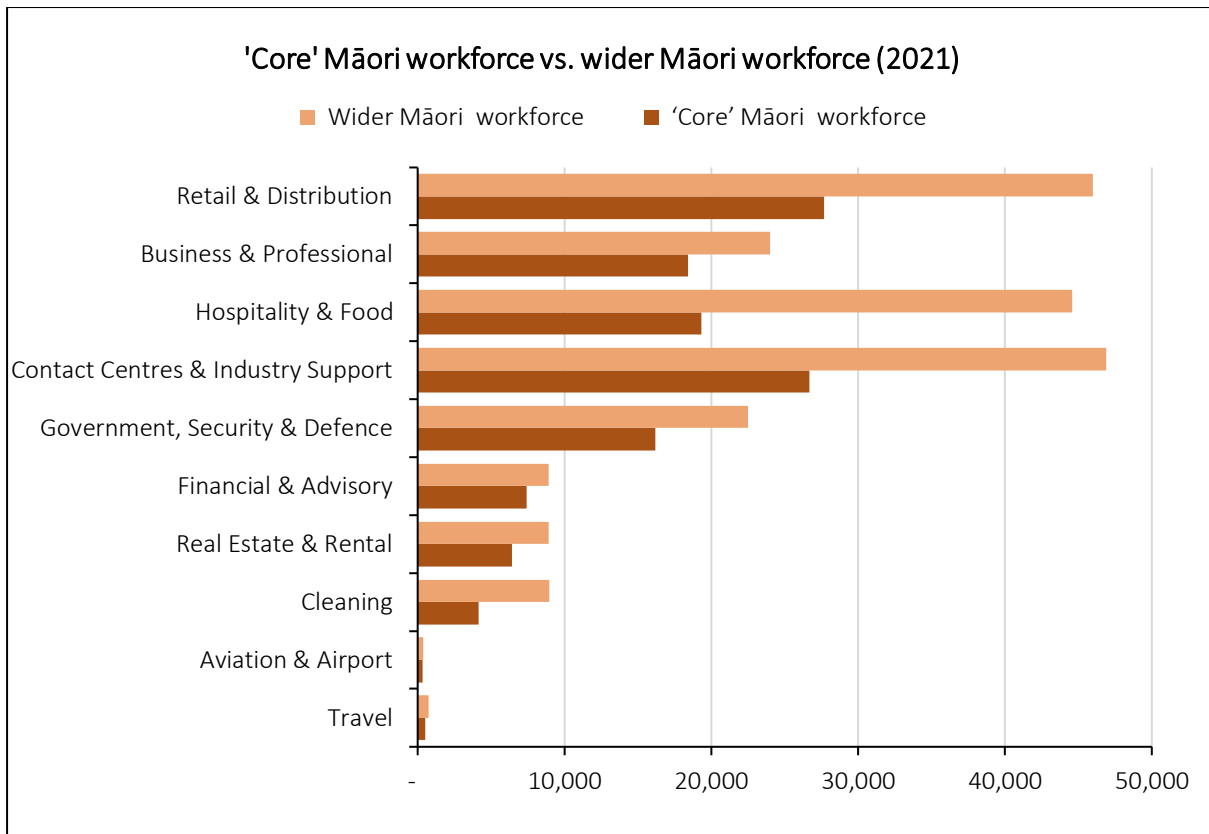


Figure 10: Māori employment: 'core' vs wider workforce

## Māori businesses in the sector

This section looks at the percentage of Māori-owned businesses and significant employers of Māori in the Service sector. Note that ownership data is not available for every business, nor is ethnicity data available for everyone, as it is a self-reported data-point. In the cases where sufficient data is not available, it has been excluded from these analyses.

Of the businesses where ownership could be identified (97,000 businesses in 2021), **7% or 6,700 have been determined to be Māori-owned**. This represents approximately 29% of all Māori-owned businesses within New Zealand (based upon a total of 23,300 Māori-owned businesses identified in Te Matapaeroa 2020).

Auckland has the highest proportion of Māori-owned businesses, with 27% of businesses identified as having Māori ownership operating from the Auckland region, this has a large variation though, with only 16% of Māori-owned businesses in *Hospitality & Food* services working in Auckland, compared with 44% of Māori-owned businesses in *Financial & Advisory* services.

A third of Māori-owned businesses in the *Travel* services operate from the Waikato, however the largest volume of Māori-owned businesses in the Waikato (82) are in the *Business & Professional industries*.



*Figure 11: Māori businesses by industry group*

There is not a large difference in the proportion of businesses generating more than \$200,000 gross profit in 2021, 61% of Māori-owned businesses reached this point, alongside 59% of businesses that are not Māori-owned. It is worth noting, however, that only 40% of businesses without ownership data available reached this level.

*Travel services* seem to be the most successful significant employers of Māori, as well as Māori-owned businesses, having a higher proportion of gross profit levels over \$200,000 in both cases than non-Māori-owned businesses and non-significant employers of Māori.

There is less variation in the regional distribution of significant employers of Māori across service sectors than Māori-owned businesses. The only regions with a large variation are Auckland and Wellington, with between 34% and 54% of significant employers operating in Auckland and between 3% and 20% of significant employers operating in Wellington.

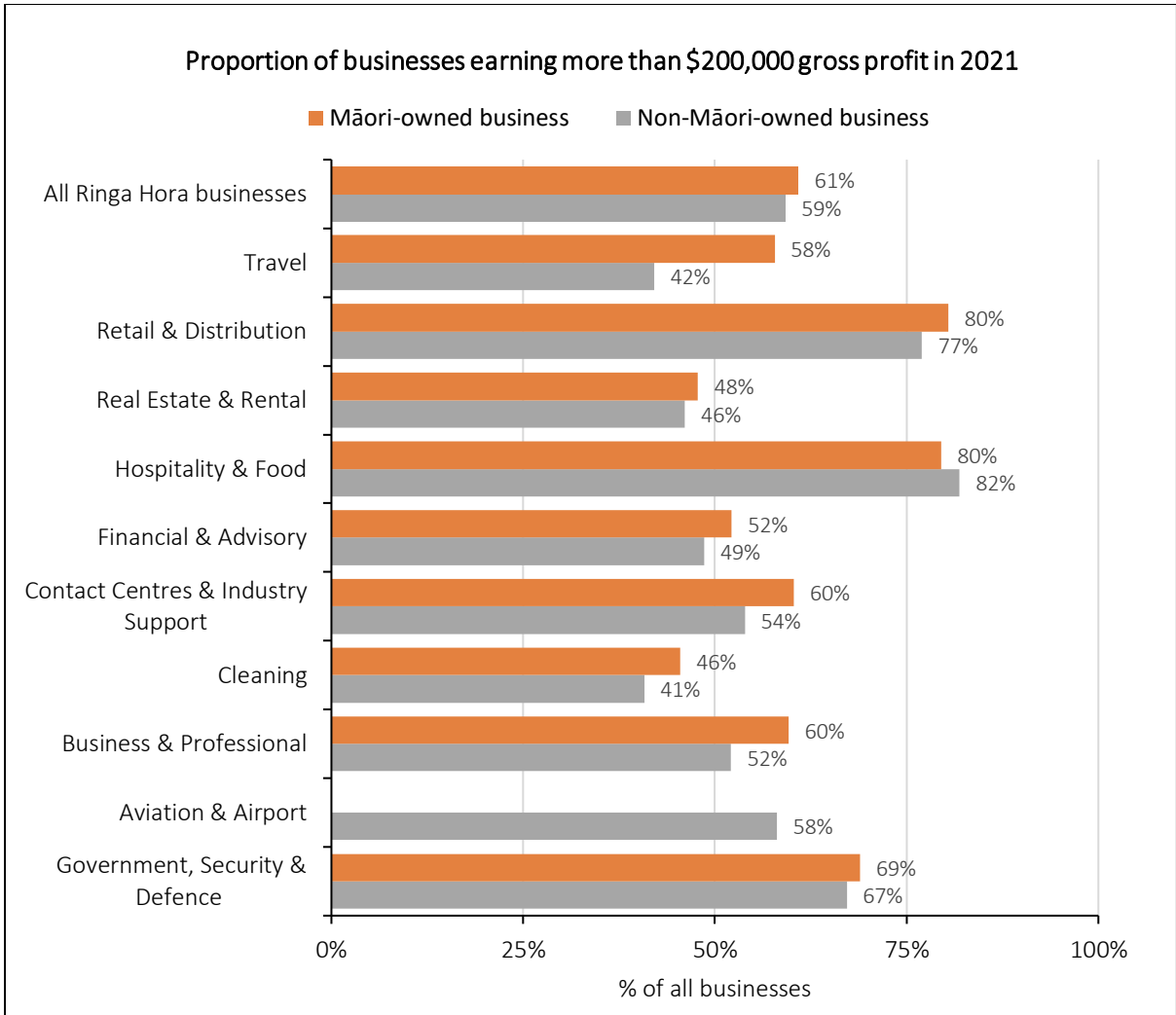


Figure 12: Gross profit margin of Māori vs non-Māori businesses

## Findings Part 3: Workforce mobility and resilience

### The impacts of Covid on workforce size

One of the key objectives of this research was to understand the impact that Covid-19 had on the Service sector. It was of interest to explore whether employment numbers were impacted, either immediately in 2020, or as a delayed impact.

The number of employees in the Service sector dropped from approximately 840,000 to 793,000 between March 2020 and August 2020 (6%). However, the size of the Service sector does have a seasonal element to it, peaking in the summer months and falling over winter. When zooming out and looking at the employee trends over a 7-year period, the impacts of Covid-19 on employee numbers are barely noticeable. This shows the inherent resilience of the Service sector, and its ability to expand and contract as need.

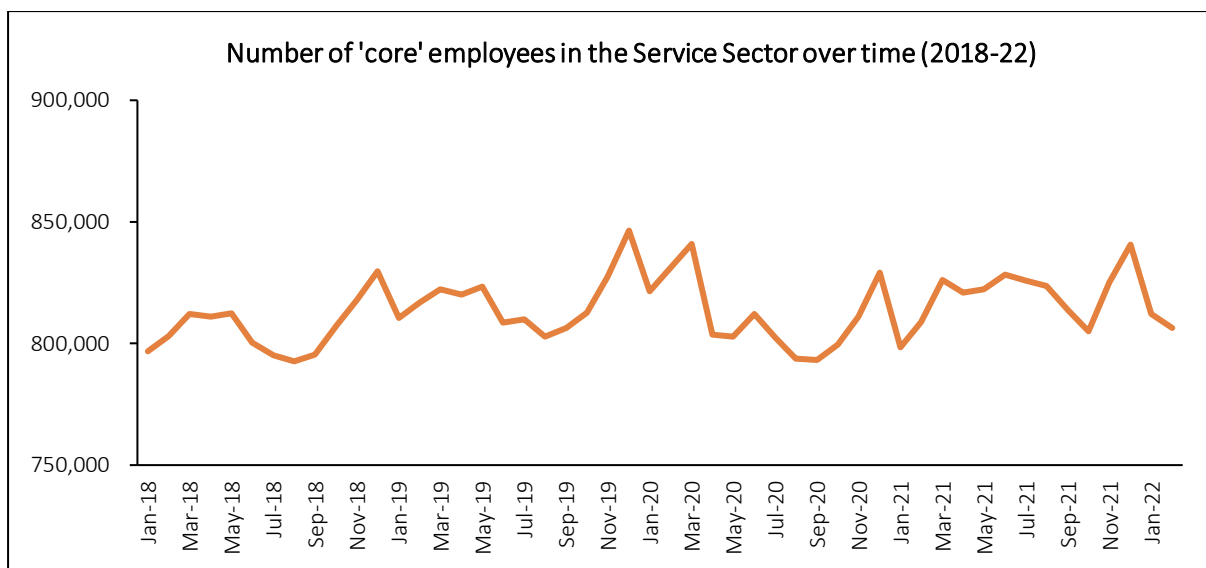


Figure 13: Number of employees in the sector 2018 - 2022

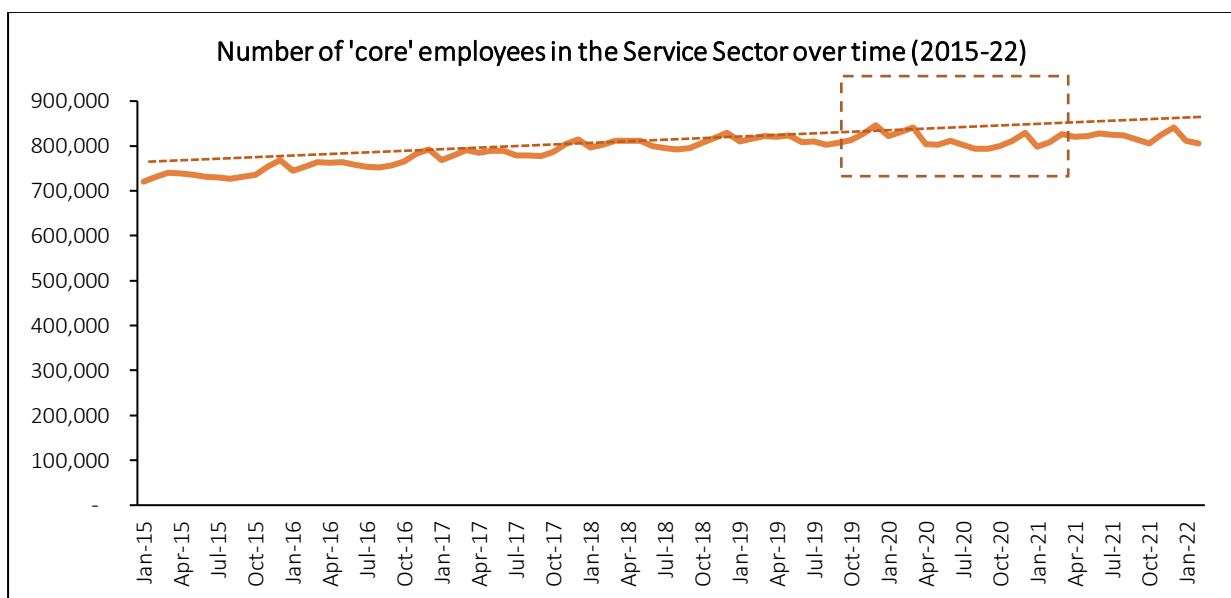


Figure 14: Number of employees in the sector 2015 - 2022



The *Aviation & Airport services industry* and *Hospitality & Food services industry* were particularly affected by Covid (Figure 15 and Figure 16). The number of employees in the Aviation & Airport industry dropped by about 30% (from 6,000 to 4,000) and has yet to make a full recovery. Employee numbers in the Hospitality & Food industry also appeared to take a hit in March to May 2020 but looks to be increasing to pre-Covid levels.

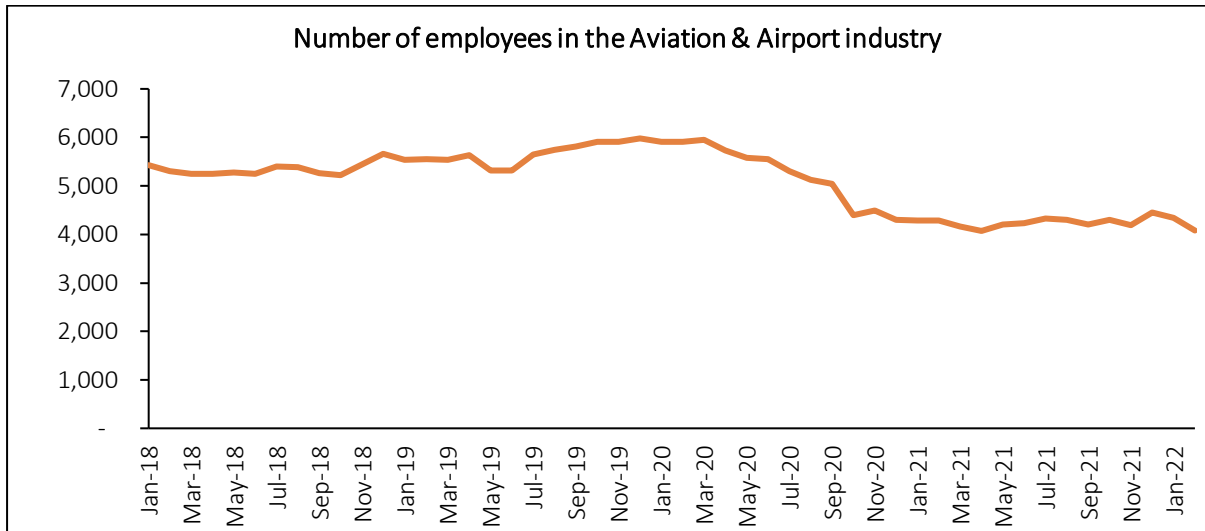


Figure 15: Number of employees in the Aviation & Airport industry group



Figure 16: Number of employees in the Hospitality & Food industry group

In terms of ethnic groups, the Māori and Pacific workforce appeared to have received a larger short-term impact, especially during Q2 and Q3 of 2020. However, it was good to see that the Māori and Pacific employment numbers quickly bounced back and got back to the pre-Covid level at the beginning of 2021. The Māori workforce size in the service sector has seen the biggest growth in 2021 over all other ethnic groups.

## Pathways into the Service sector

### Sources of new entrants

It is of interest to understand what people are doing prior to working in the Service sector. That is, what are the main pathways into Service sector industries. For this analysis, we look at all employees that earn from an industry in the Service sector for the first time in 2021. We then look at what they were doing in the year prior (their main activity). If they were working in a different industry, we refer to them as 'Industry changers'.

For all industry groups in the Service sector, the main pathway for new entrants is through another industry. That is, roughly 60% of all new entrants to the sector are industry changers. Interestingly, about 20% of new entrants have come through tertiary education. Further work is needed to tease out whether this tertiary education is relevant to the industry they are entering, or whether it was unrelated/ or broad (with transferrable skills).

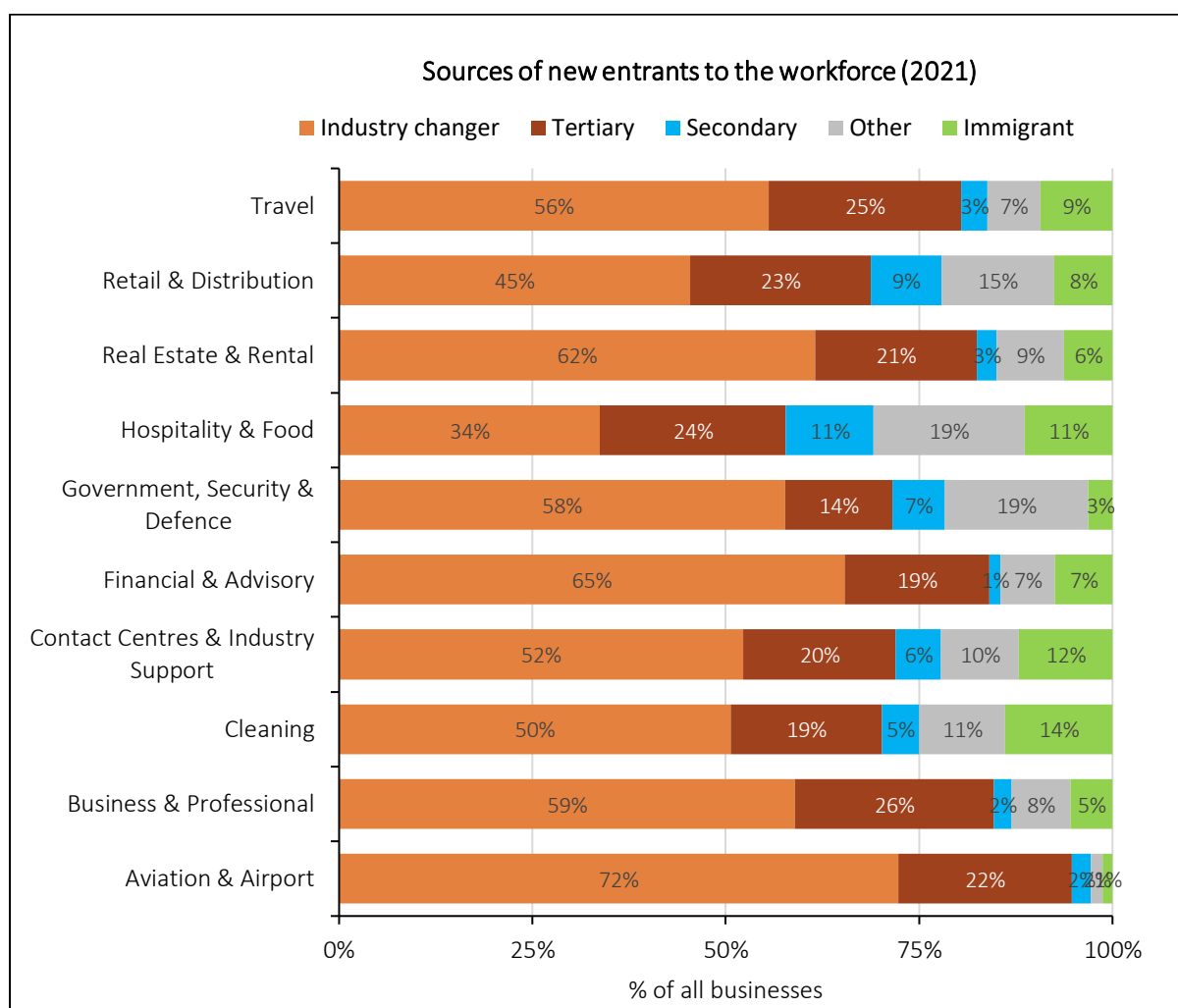


Figure 17: Source of new entrants to the workforce

## Retention of new entrants

Not all individuals that enter the Service sector stay for long. We also cannot tell from the data who intended to stay long-term, and for what reason they chose to leave. Regardless, it is still of benefit to understand the rate at which new entrants leave, and how many of them do go on to accumulate years of tenure in a given industry.

This analysis has implications in terms of:

- The type of training that is most appropriate for these workforces (particularly pre-employment training).
- Whether there are any particular points in time that people drop out of the workforce (indicating career path gaps or similar issues).

This retention analysis considers *all* workers that earn from a Service sector industry for the first time in 2015. It then calculates the number of subsequent months that they are working in that industry (note, these months do not have to be in a row, there can be gaps). We see that:

- The retention rate within the Service sector varies among industry groups. *Contact Centres & Industry Support* industries have the lowest retention rate with two-thirds of the new entrants leaving within 12 months. *Financial & Advisory* services have the highest retention rate; roughly half of the workforce stays in the industry for 24 months.
- When comparing Ringa Hora industries with other sectors, Ringa Hora appear the most mobile, with the highest attrition rate of new entrants. Just 35% of those who enter a Service sector industry stayed 12 months or longer, compared to 68%, 60%, and 42% for the Toi Mai sector, the carpentry industry and the dairy farming industry.

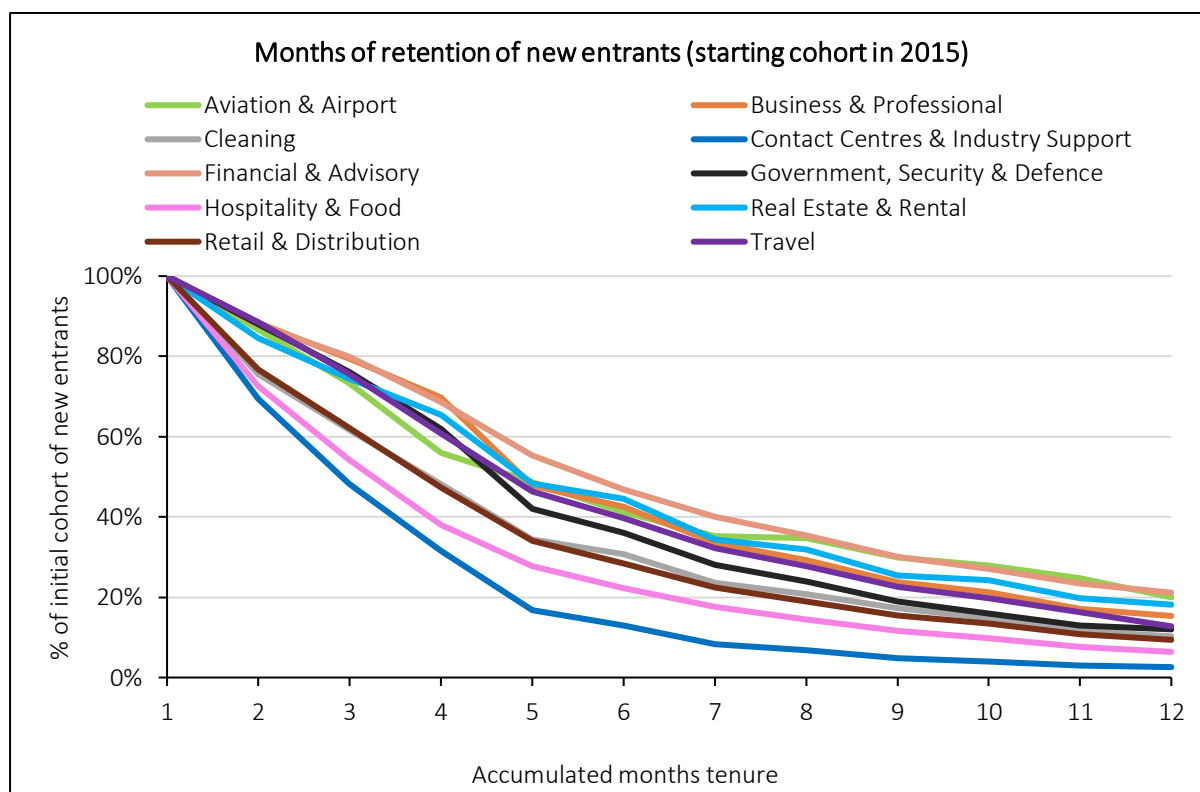


Figure 18: Retention of new entrants

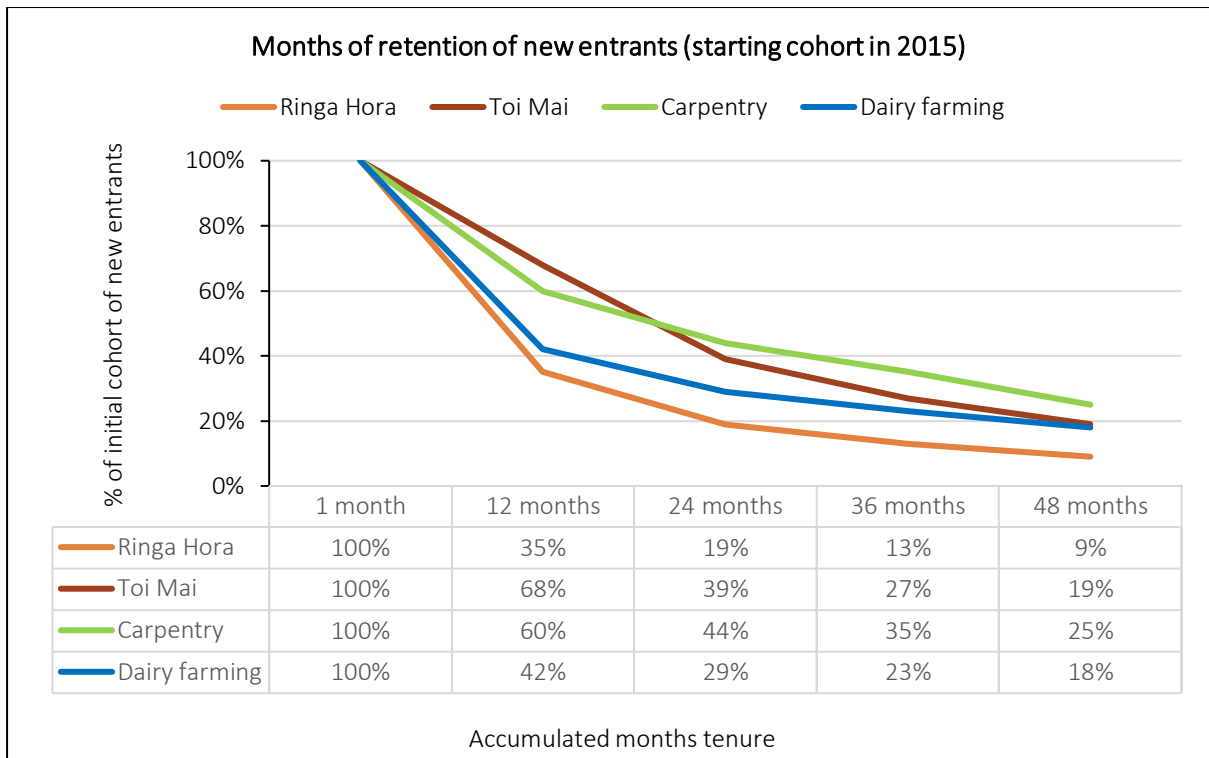


Figure 19: Retention of new entrants, benchmarked against other sectors

## Experience in the sector

Another analysis to help us understand the mobility of the Service sector workforce is by looking at industry tenure profiles. An industry tenure profile takes a snapshot of the workforce at a point in time (for this analysis, at March 2020). It calculates the percentage of the workforce that have less than 12 months of experience in that industry so far, the percentage that have between 12 and 23 months experience, and so on.

Figure 20 shows the tenure profiles for each industry group within the Service sector. This clearly shows the diversity within the sector, and is a clear reminder that not all Service industries are the same, and should be treated likewise.

Some industry groups have workforces that are very experienced, and a large proportion with more than 60 months experience in a given industry. These experienced industries include:

- Real Estate & Rental
- Financial & Advisory
- Business & Professional
- Aviation & Airport.

In comparison, there are several industry groups with a high proportion of workers with less than 12 months' experience (and high churn). This includes:

- Contact Centres & Industry Support
- Hospitality & Food

- Retail & Distribution.

Indicated in both the retention curve of new entrants, and these industry tenure profiles, retention is much greater after the first year. That is, if you make it past the one-year point, you are much more likely to stay for two years, and three years, and so on. This suggests that generally, investment in training may be more appropriate for those in their second year of employment in the industry (for the 35% that go on to work more than 12 months).

For those industries with a low tenure profile (particularly *Contact Centres, Hospitality & Food, and Retail & Distribution*), transferrable training is more appropriate. For industries with higher retention rates, more specialist training can be appropriate (for example specialist Real Estate training).

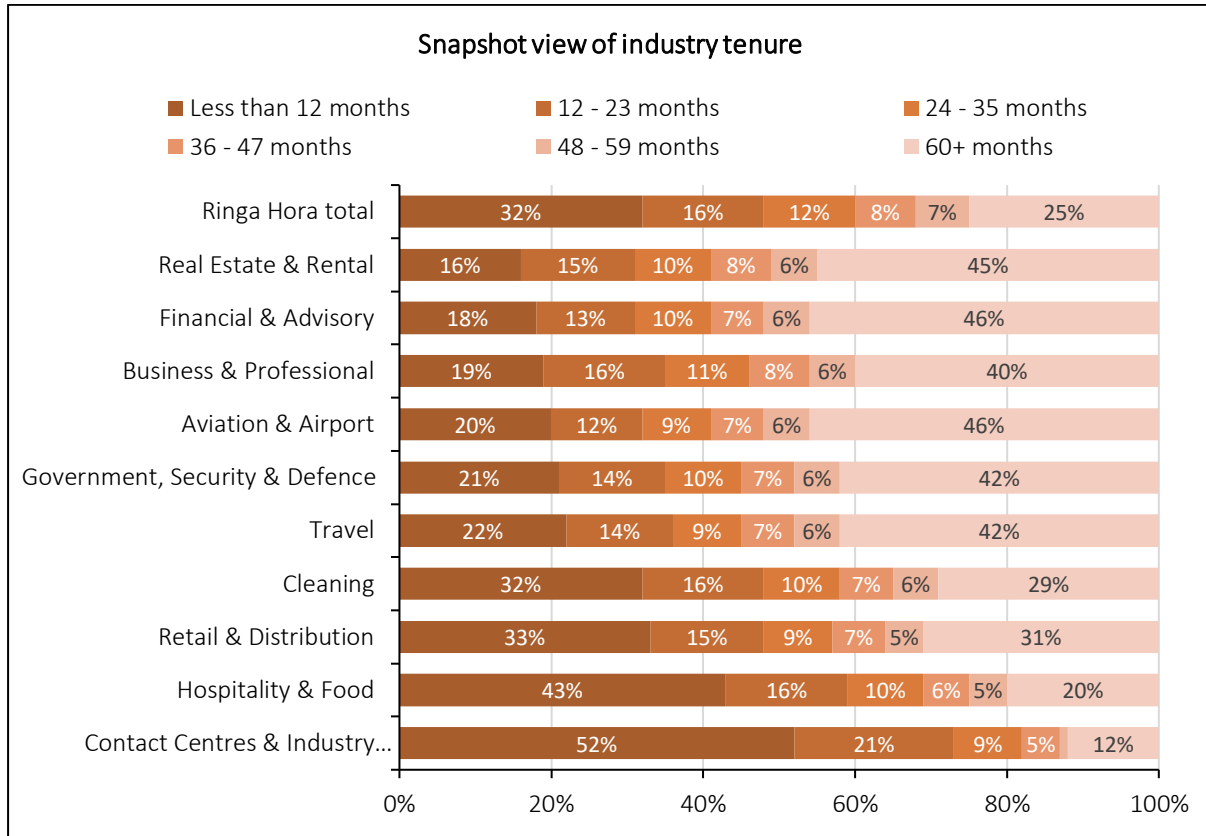


Figure 20: Snapshot view of industry tenure

## Pathways out of the Service sector

### Destinations of leavers

It is also of interest to explore where people go when they leave an industry, and how long it takes for them to find new employment. This analysis considers all employees that earn from a specific industry for the last time in 2020. For this analysis, it is difficult to know what proportion of leavers *intended* to leave, and which were impacted by job losses as a result of covid-19.

Roughly 80% of people that leave Ringa Hora industries are ‘industry changers’ – they go on to work in a different industry in the following year. Among them, 38% stay within the wider Service Sector. Industry changers represent a ‘successful outcome’ in this analysis. Industry changers are those that transition into a new industry – taking their skills with them. In this sense, the Ringa Hora workforce overall has demonstrated the ability to successfully transition out of the workforce.

A small percentage go onto a benefit after leaving the industry. Māori and Pacific people are overrepresented in this group of workforce leavers. This could provide additional evidence that training options targeting these priority groups could be prioritised. Training programmes with a focus on transferable skills may enable Māori to position themselves for better job mobility in future.

Of particular interest is that 18% of those that leave the Hospitality & Food industry go overseas. This is paired with the fact that 20% of this industry are on a Work visa.

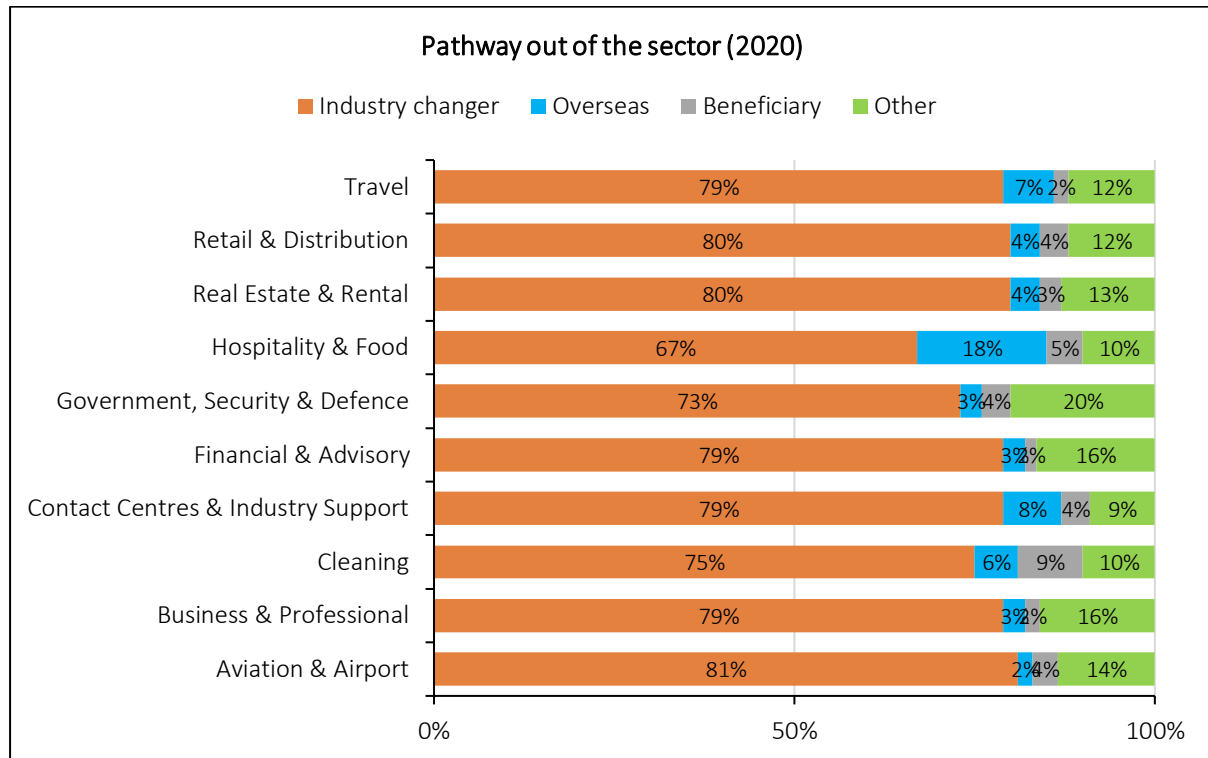


Figure 21: Destination of leavers

### Months taken to find a new job

Figure 22 shows the number of months taken for ‘industry changers’ to transition into a new industry (i.e., months before submitting a tax return in another industry). In 2020, most of the workforce leavers managed to transition into new employment within 3 months. Those in the *Travel* industry appear to have found it slightly harder to transition into new employment – with 30% of industry changers taking longer than 3 months to find a new job.

This analysis is reassuring – that those in the Service sector are generally well-equipped with the skills and knowledge needed to transition and adapt when needed (i.e., an indicator of resilience).

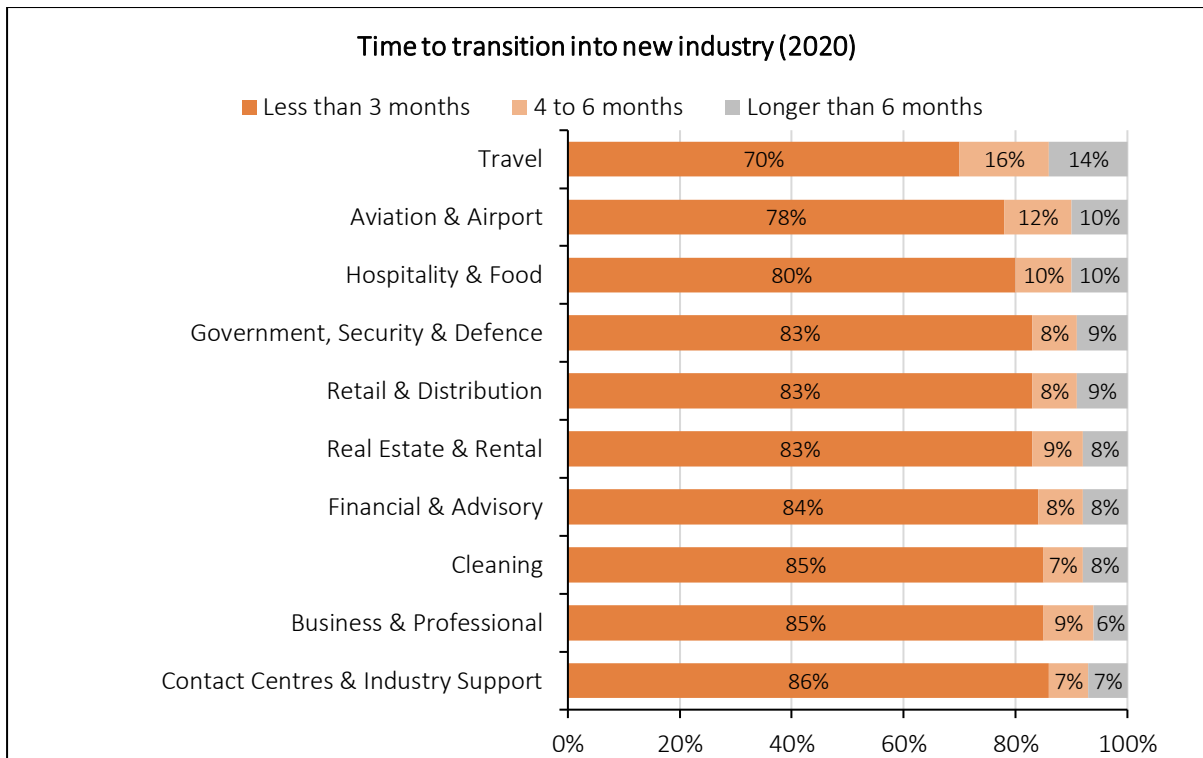


Figure 22: Time taken to transition to new employment

### Job changes within a 3-year period

We have shown in several instances now that the Service sector is highly mobile and adaptable. Another form of mobility is movement between jobs and employers. This can include jobs within the same industry, or changes between industries. For this analysis, we have explored the number of employers those in the workforce have within a 1-year, 3-year, and 5-year period of time.

The number of job changes varies considerably between industry groups, again reaffirming that mobility isn't equal across all industries. Workers in the *Contact Centres & Industry Support*, *Hospitality & Food* and *Cleaning* services experience the most transitions with roughly 40%, 36% and 30% of the workers going through more than 2 industry transitions within 3 years.

Refer to the dashboard to see how this analysis changes when looking at a 1-year and 5-year period of time.

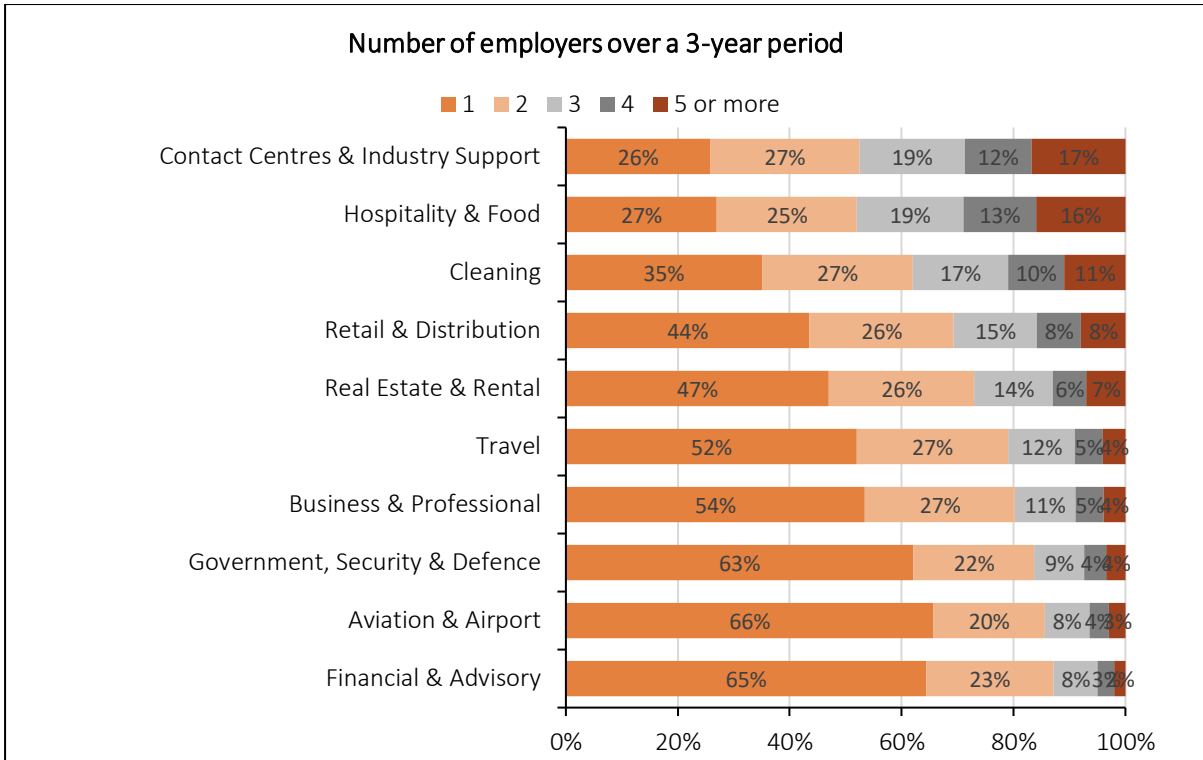


Figure 23: Number of employers in a 3-year period



# Conclusions

---

## Key insights from the research

### Defining the workforce is complex, but a valuable exercise

It has become evident through this research that there is no single best way of defining the Service sector workforce. That is, there is a whole suite of definitions that can be used to describe the nuances of who interacts with the Service sector at different points in their lifetime and career. This research only began to scratch the surface in terms of teasing out these complexities – particularly with regard to mapping out the occupations covered by these industry groups. Further work in this area will contribute additional value to this research.

### A large number of New Zealanders will work in the Service sector at some point in their life

The Service Sector employed over 1,170,000 people<sup>2</sup> in 2021, accounting for more than one third of all New Zealanders in employment.

At least 65% of all New Zealanders have worked in the service sector at some point in their life. For some, this may be in the formative years of their career, learning vital professional skills. For others, coming to work in the Service sector could be a further step towards building their career on the skills they've brought with them. Regardless of the length of time, the skills and experiences built through working in the services sector can be lifelong and readily transferable.

### The service sector is made up of a diverse mix of people

The Service sector represents the richness and diversity of New Zealanders overall. We see that:

- The Service sector is not *just* for the young: 54% are over the age of 35.
- The Service sector is not *just* a launch pad for the inexperienced: 50% of new people to the sector come from other industries (and bring with them a set of existing skills and capabilities).
- People are not only based in Auckland and Wellington: About 50% of the workforce are based outside of these main cities.

### The workforce is more qualified than some may think

People in the sector have a wide range of skills and qualifications. This includes formal qualifications received from school and tertiary education, skills developed on-the-job (either in the Service sector, other industries, and include un-paid / volunteer roles). We can see that:

- More than half of the Service sector workforce have a post-school qualification (55%). This is very similar to the New Zealand working-age population as a whole.
- Half of new people to the sector are 'industry changers': they have previous experience and skills working in another industry. Half of this group have come from outside of the Service sector completely (e.g., engineers becoming chefs) while the other half have moved within it.

---

<sup>2</sup> Wider workforce size including 'non-conventional' workers as of 2021, which includes anyone who earns any income from a business in the Service sector.

In both cases, these career changers will bring with them a unique mix of skills into their new role.

### **Māori are an integral part of the service sector**

There are *at least* 6,700 Māori-owned businesses in the Service sector (half of which are sole traders, and half which employ staff). Māori businesses are:

- Highly represented in the Hawke’s Bay and Gisborne region (about 900 businesses)
- Under-represented in Auckland: just 27% of Māori-owned businesses are in Auckland compared to 41% of all Service sector businesses being in Auckland.
- Overall, of a similar size to non-Māori businesses.

Overall, Māori make up at least 14% of the Service sector. This equates to more than 110,000 people, which is **21% of all Māori aged 15 – 74**<sup>3</sup>. Note that this is based on self-identified data, so the true number could be much higher! Māori present the same characteristics of diversity as the sector overall. Māori in the Service sector are:

- Younger on average (56% are under the age of 35, compared to 50% of all the sector), however this will also reflect the younger Māori population structure compared with NZ European.
- More typically female (about 60% female, similar to the sector overall).
- Less likely to have a post-school qualification, noting that this is related to age (46% qualified compared to 55% overall).

### **The Service sector workforce is highly mobile and transient, and we should embrace this**

The Service sector has long been perceived as mobile and transient, with 65% of people who enter the service sector for the first time, leaving within 12 months. In some industry groupings half the people have worked in the sector for less than 48 months. A range of factors may have contributed to high churn, including the nature of some seasonal or short-term work, people’s intentions when first entering the sector and ease of entry into the sector.

### **Covid-19 acted as a ‘fracture point’ through which the inherent resilience of the Service sector was tested and displayed**

Despite a noticeable impact on the workforce from COVID-19, the effect was short-lived. The long-term trends of employment numbers stayed undisturbed.

*Aviation and airport services* and *hospitality and food services* were the two most affected industries, with border closures and lockdowns, respectively, affecting these services. The impact was swift and has been long-lasting, with numbers only just bouncing back now.

## **Potential implications**

This research can help to inform the design and provision of training appropriate for the Service sector. We have shown that each industry group is unique, and the training needs for the sector are not uniform. This research can be used to inform:

---

<sup>3</sup> As at 2018 Census.

- **The size of training programmes** – The duration of training courses should consider how long people remain in a workforce. For industries that typically feature short workforce tenure, short training courses may be more appropriate.
- **The right mix of transferrable and specialist skills** – The amount of transferrable skills included in a programme could be influenced by workforce mobility of people taking that programme. In sectors with high workforce mobility (for example, hospitality & food), it may be appropriate to include a high level of transferrable skills.
- **Choosing when to start training** – The ideal time to start a workplace-based training programme may not be at the start of a time in a role. If an industry features high levels of workforce turnover (particularly in that first year), it may better to start only after a new worker has become established.

This research can also be used to inform talent attraction strategies. This work has highlighted that there is no ‘one-size fits all’ person who is right for the Service sector. New workers to the sector do not primarily come straight from secondary school or tertiary education. They have often already gained some experience working in other industries. Businesses in the Service sector should continue to promote the diversity that is already widespread across the industry. Diversity:

- Enables diversity of ideas and thinking into New Zealand businesses (bringing together people that might not otherwise cross paths).
- Enables the transfer of knowledge and skills from older to younger people in the workplace.
- Creates an environment that welcomes a broad range of new people to its workforces, and people from all walks of life.

## Further research

This report only skims the surface with the analysis that has been made available through the StatsNZ IDI. Further investigation, and exploration of the data is encouraged through use of the [online dashboard tool](#).

Note that this dashboard currently focuses on the ‘core’ Service sector workforce. There is value in adapting this dashboard to allow the user to view the analyses using different definitions, in order to observe the impact it can have on interpretation.

## Appendix

Ringa Hora Industry groupings	ANZSIC codes	Specific industry description (L4 ANZSIC)	Industry description (L3 ANZSIC)
Aviation & Airport	C239400	Aircraft Manufacturing and Repair Services	Other Transport Equipment Manufacturing
	I522000	Airport Operations and Other Air Transport Support Services	Air Transport Support Services
Retail & Distribution	F360100	General Line Grocery Wholesaling	Grocery, Liquor and Tobacco Product Wholesaling
	F360500	Fruit and Vegetable Wholesaling	Grocery, Liquor and Tobacco Product Wholesaling
	F360600	Liquor and Tobacco Product Wholesaling	Grocery, Liquor and Tobacco Product Wholesaling
	F360900	Other Grocery Wholesaling	Grocery, Liquor and Tobacco Product Wholesaling
	F371100	Textile Product Wholesaling	Textile, Clothing and Footwear Wholesaling
	F371200	Clothing and Footwear Wholesaling	Textile, Clothing and Footwear Wholesaling
	F372000	Pharmaceutical and Toiletry Goods Wholesaling	Pharmaceutical and Toiletry Goods Wholesaling
	F373200	Jewellery and Watch Wholesaling	Furniture, Floor Coverings and Other Goods Wholesaling
	F373300	Kitchen and Diningware Wholesaling	Furniture, Floor Coverings and Other Goods Wholesaling
	F373400	Toy and Sporting Goods Wholesaling	Furniture, Floor Coverings and Other Goods Wholesaling
	F373500	Book and Magazine Wholesaling	Furniture, Floor Coverings and Other Goods Wholesaling
	F373600	Paper Product Wholesaling	Furniture, Floor Coverings and Other Goods Wholesaling
	F373900	Other Goods Wholesaling n.e.c.	Furniture, Floor Coverings and Other Goods Wholesaling
	F380000	Commission-Based Wholesaling	Commission Based Wholesaling
	G400000	Fuel Retailing	Fuel Retailing
	G411000	Supermarket and Grocery Stores	Supermarket and Grocery Stores
	G412300	Liquor Retailing	Specialised Food Retailing
	G412900	Other Specialised Food Retailing	Specialised Food Retailing
	G421100	Furniture Retailing	Furniture, Floor Coverings, Houseware and Textile Goods Retailing
	G421300	Houseware Retailing	Furniture, Floor Coverings, Houseware and Textile Goods Retailing
G421400	Manchester and Other Textile Goods Retailing	Furniture, Floor Coverings, Houseware and Textile Goods Retailing	

	G422200	Computer and Computer Peripheral Retailing	Electrical and Electronic Goods Retailing
	G422900	Other Electrical and Electronic Goods Retailing	Electrical and Electronic Goods Retailing
	G423200	Garden Supplies Retailing	Hardware, Building and Garden Supplies Retailing
	G424100	Sport and Camping Equipment Retailing	Recreational Goods Retailing
	G424200	Entertainment Media Retailing	Recreational Goods Retailing
	G424300	Toy and Game Retailing	Recreational Goods Retailing
	G424400	Newspaper and Book Retailing	Recreational Goods Retailing
	G425100	Clothing Retailing	Clothing, Footwear and Personal Accessories Retailing
	G425200	Footwear Retailing	Clothing, Footwear and Personal Accessories Retailing
	G425300	Watch and Jewellery Retailing	Clothing, Footwear and Personal Accessories Retailing
	G425900	Other Personal Accessory Retailing	Clothing, Footwear and Personal Accessories Retailing
	G426000	Department Stores	Department Stores
	G427100	Pharmaceutical, Cosmetic and Toiletry Goods Retailing	Pharmaceutical and Other Store-Based Retailing
	G427200	Stationery Goods Retailing	Pharmaceutical and Other Store-Based Retailing
	G427300	Antique and Used Goods Retailing	Pharmaceutical and Other Store-Based Retailing
	G427900	Other Store-Based Retailing n.e.c.	Pharmaceutical and Other Store-Based Retailing
	G431000	Non-Store Retailing	Non Store Retailing
	G432000	Retail Commission-Based Buying and/or Selling	Retail Commission Based Buying and/or Selling
<b>Hospitality &amp; Food</b>	H451100	Cafes and Restaurants	Cafes, Restaurants and Takeaway Food Services
	H451200	Takeaway Food Services	Cafes, Restaurants and Takeaway Food Services
	H451300	Catering Services	Cafes, Restaurants and Takeaway Food Services
	H452000	Pubs, Taverns and Bars	Pubs, Taverns and Bars
	H453000	Clubs (Hospitality)	Clubs (Hospitality)
	H440000	Accommodation	Accommodation
<b>Financial &amp; Advisory</b>	K621000	Central Banking	Central Banking
	K622100	Banking	Depository Financial Intermediation
	K622200	Building Society Operation	Depository Financial Intermediation
	K622300	Credit Union Operation	Depository Financial Intermediation
	K622900	Other Depository Financial Intermediation	Depository Financial Intermediation

	K623000	Non-Depository Financing	Non-depository Financing
	K624000	Financial Asset Investing	Financial Asset Investing
	K631000	Life Insurance	Life Insurance
	K632100	Health Insurance	Health and General Insurance
	K632200	General Insurance	Health and General Insurance
	K633000	Superannuation Funds	Superannuation Funds
	K641100	Financial Asset Broking Services	Auxiliary Finance and Investment Services
	K641900	Other Auxiliary Finance and Investment Services	Auxiliary Finance and Investment Services
	K642000	Auxiliary Insurance Services	Auxiliary Insurance Services
<b>Real Estate &amp; Rental</b>	L661100	Passenger Car Rental and Hiring	Motor Vehicle and Transport Equipment Rental and Hiring
	L661900	Other Motor Vehicle and Transport Equipment Rental and Hiring	Motor Vehicle and Transport Equipment Rental and Hiring
	L662000	Farm Animal and Bloodstock Leasing	Farm Animals and Bloodstock Leasing
	L663200	Video and Other Electronic Media Rental and Hiring	Other Goods and Equipment Rental and Hiring
	L663900	Other Goods and Equipment Rental and Hiring n.e.c.	Other Goods and Equipment Rental and Hiring
	L664000	Non-Financial Intangible Assets (Except Copyrights) Leasing	Non-Financial Intangible Assets (except Copyrights) Leasing
	L671100	Residential Property Operators	Property Operators
	L671200	Non-Residential Property Operators	Property Operators
	L672000	Real Estate Services	Real Estate Services
<b>Business, Professional</b>	M691000	Scientific Research Services	Scientific Research Services
	M693100	Legal Services	Legal and Accounting Services
	M693200	Accounting Services	Legal and Accounting Services
	M694000	Advertising Services	Advertising Services
	M695000	Market Research and Statistical Services	Market Research and Statistical Services
	M696100	Corporate Head Office Management Services	Management and Other Consulting Services
	M696200	Management Advice and Related Consulting Services	Management and Other Consulting Services
	M699100	Professional Photographic Services	Other Professional, Scientific and Technical Services
M699900	Other Professional, Scientific and Technical Services n.e.c.	Other Professional, Scientific and Technical Services	

	S955100	Business and Professional Association Services	Civic, Professional and Other Interest Group Services
	S953300	Parking Services	Other Personal Services
	S953400	Brothel Keeping and Prostitution Services	Other Personal Services
	S953900	Other Personal Services n.e.c.	Other Personal Services
	S955200	Labour Association Services	Civic, Professional and Other Interest Group Services
	S955900	Other Interest Group Services n.e.c.	Civic, Professional and Other Interest Group Services
<b>Travel</b>	N722000	Travel Agency and Tour Arrangement Services	Travel Agency Services
<b>Cleaning</b>	N731100	Building and Other Industrial Cleaning Services	Other Administrative Services
<b>Contact Centres &amp; Industry Support</b>	N721100	Employment Placement and Recruitment Services	Employment Services
	N721200	Labour Supply Services	Employment Services
	N729200	Document Preparation Services	Other Administrative Services
	N729300	Credit Reporting and Debt Collection Services	Other Administrative Services
	N729400	Call Centre Operation	Other Administrative Services
	N729100	Office Administrative Services	Other Administrative Services
	N729900	Other Administrative Services n.e.c.	Other Administrative Services
	N732000	Packaging Services	Packaging and Labelling Services
	N731300	Gardening Services (excluding arborists)	Building Cleaning, Pest Control and Gardening Services
<b>Government, Security &amp; Defence</b>	O751000	Central Government Administration	Central Government Administration
	O752000	State Government Administration	State Government Administration
	O753000	Local Government Administration	Local Government Administration
	O755100	Domestic Government Representation	Government Representation
	O755200	Foreign Government Representation	Government Representation
	O760000	Defence	Defence
	O771200	Investigation and Security Services	Public Order and Safety Services
	O754000	Justice	Justice