



**JUNE 2006**

## **CABINETMAKER: OCCUPATIONAL SKILL SHORTAGE ASSESSMENT**

**2004 Situation:** Genuine skill shortage

**Current Situation:** Genuine skill shortage and recruitment & retention difficulties

**Short-term Outlook:** Genuine skill shortage and recruitment & retention difficulties

### **1 Executive Summary**

1.1 Results from the 2005 Survey of Employers who have Recently Advertised suggest employers have had considerable difficulty in filling cabinetmaker positions in New Zealand. Only 40% of positions were filled within ten weeks of advertising and there was an average of only 1.2 suitable applicants per cabinetmaker vacancy. This report considers these survey results in the context of trends in the demand for and supply of cabinetmakers.

*Table 1: Employer Survey Indicators, 2005*

	Fill Rate	Average Number of Suitable Applicants
Cabinetmakers	40%	1.2
All Trades surveyed	37%	1.0

Source: Survey of Employers who have Recently Advertised, Department of Labour.

1.2 Employment of cabinetmakers declined between 2001 and 2005. Very strong growth since 2001 in the level of imported low-cost furniture, as well as a static trend in the level of exported furniture, has subdued furniture manufacturing output in New Zealand. There has also been an increased emphasis on high-volume low-cost furniture production using computerised numerically controlled machinery, which is less likely to need a skilled cabinetmaker to operate. These factors have led to a decline in employment of cabinetmakers. Ongoing technological advances may continue to dampen demand for cabinetmakers, despite strong demand for wooden products. The Department concludes, therefore, that demand for cabinetmakers will be subdued in the short term.

1.3 The supply of cabinetmakers has also been declining over time, although this trend may be starting to ease. The inflow of newly qualified cabinetmakers averaged 32 per annum between 2001 and 2003, but increased to 56 in 2005. However, this is still short of the estimated number of retirements from the occupation each year (approximately 70). Net outward migration in the late 1990s and early 2000s further depleted the stock, however, a reversal in the

migration trend for cabinetmakers in the last three years to a net inflow is adding to the supply pool. Occupational detachment appears to be an issue for cabinetmakers, partly due to low pay, with some people moving into better paid jobs in other related occupations such as carpentry and boat building. The number of training achievements is likely to rise in the next few years, but this together with increased inward migration may only just stem the decline in the supply of cabinetmakers.

- 1.4 Due to the on-going disparity between the levels of supply and demand, the Department of Labour has assessed the cabinetmaker occupation as experiencing a **genuine skill shortage**. As occupational detachment remains an on-going issue for cabinetmakers, the occupation has also been assessed as experiencing **recruitment and retention difficulties**.
- 1.5 The shortage of cabinetmakers will most likely persist in the short-term because of low training levels, and losses from the occupation through retirement and movement into other higher paying related occupations.

## 2 Introduction

- 2.1 The purpose of this report is to investigate skill shortages for cabinetmakers in New Zealand.
- 2.2 The following section presents key findings from the Department of Labour's (the Department's) *Survey of Employers who have Recently Advertised* (SERA). This survey provides an indication of employer's success in filling advertised vacancies for cabinetmakers as well as other information on their recruiting experiences. The next two sections investigate trends in the demand for, and supply of, cabinetmakers. The penultimate section presents some of the issues that arise from the matching of demand and supply in the labour market, such as wage rates. Finally, the 'Assessment' section considers all the information presented in the report and provides a view on whether the occupation is in shortage, and if so, the type of shortage being experienced. A short-term outlook for the shortage situation is also offered.



- 2.3 Further background to this occupational report, including a discussion of the methodology; a glossary of terms; and an overview of the Department of Labour's (the Department's) *Survey of Employers who have Recently Advertised* (SERA), including the survey questionnaire, can be found in the 'Background and technical note' at <http://www.dol.govt.nz/publications/jvm/trades/2005/background.asp>.

### 2.4 **Cabinetmakers in New Zealand**

- 2.4.1 Cabinetmakers (code 74211 in the New Zealand Standard Classification of Occupations) make and repair wooden articles including: cabinets (e.g. for kitchens or boats), furniture, billiard tables, piano shells, or other highly finished wooden fittings or similar objects, using hand tools and power tools. Some cabinetmakers work in furniture manufacturing plants where much of the work is done by computer-controlled machinery. Others work in smaller shops, creating customised wooden pieces by hand.

- 2.4.2 The Department estimates that there were approximately 4,650 cabinetmakers employed in New Zealand in 2005. Census 2001 figures indicate that most of the cabinetmaker workforce is male (89%) and the majority work full-time (77%).

### 3 Survey of Employers who have Recently Advertised

- 3.1 This section presents the key SERA findings of employers' experiences in recruiting cabinetmakers.
- 3.2 The SERA allows the Department to gain insights into skill shortages by investigating how difficult it is for employers to fill vacancies. A 'fill rate' is calculated for each occupation – this being the proportion of vacancies included in the SERA sample which were filled with an adequately qualified and experienced person within ten weeks of advertising. Occupations with fill rates lower than 80% are typically regarded as being in shortage, while fill rates lower than 40% usually indicate that the occupation is in acute shortage.

*Table 2: SERA Results for Cabinetmakers and All Trades Surveyed, August 2005*

	Number of Employers	Number of Vacancies	Fill Rate <sup>1</sup>	Average Number of Suitable Applicants per Vacancy <sup>1</sup>
<b>Cabinetmakers</b>	27	42	40%	1.2
<b>All Trades Surveyed</b>	885	1480	37%	1.0

Source: Survey of Employers who have Recently Advertised, Department of Labour.

1 The 'All Trades Surveyed' fill rate and average number of suitable applicants per vacancy figures were both weighted to compensate for any under or over sampling of individual trade worker occupations in the 2005 survey.

- 3.3 Results from the 2005 SERA show that only 40% of cabinetmaker vacancies included in the survey were filled within ten weeks of being advertised, an increase from 32% in 2004, but lower than the 2003 figure of 55%. The 2005 fill rate for cabinetmakers was slightly higher than the fill rate for all surveyed trade occupations (37%). There was an average of only 1.2 suitable applicants for each cabinetmaker vacancy compared with an average of 1.0 for all trade occupations surveyed.
- 3.4 All 16 of the employers who completed interviews in the 2005 SERA Intensive indicated that they considered there to be a shortage of cabinetmakers. Employers were asked if they thought it was easier or harder to find cabinetmakers compared to the last time they tried, and six of the eight who responded thought it was harder, with the other two saying it was about the same.

## 4 Demand for Cabinetmakers

4.1 This section investigates trends in the demand for cabinetmakers and the factors underlying these trends. Demand is measured by the number of cabinetmakers required by employers at current wage rates.

### 4.2 *Historical Demand*

4.2.1 The number of cabinetmakers employed is estimated to have dropped by 3.4% per annum between 2001 and 2005 (see Table 3). Very strong growth since 2001 in the level of imported low-cost furniture, as well as a static trend in the level of exported furniture, has subdued furniture manufacturing output in New Zealand. There has also been an increased emphasis on high-volume low-cost furniture production using computerised numerically controlled (CNC) machinery, which is less likely to need a skilled cabinetmaker to operate. These factors (which are discussed further below) have led to a decline in employment of cabinetmakers.

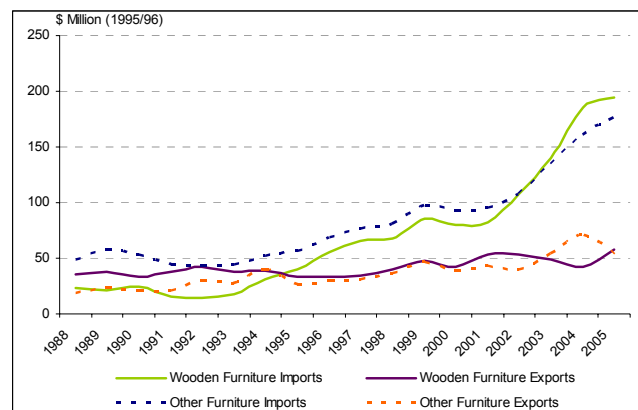
*Table 3: Annual Average Employment of Cabinetmakers and Related Workers, 2001-2005, December Years (000's)*

	2001	2002	2003	2004	2005	Annual Growth in Employment
<b>Cabinetmakers and related workers</b>	6.3	6.6	6.0	5.4	5.6	-3.4%

Source: Household Labour Force Survey, Statistics New Zealand. This data is only available at the broad (3-digit) occupational level 'cabinetmakers and related workers'. Cabinetmakers comprise most (87% in the 2001 Census) of this broader parent group.

4.2.2 As noted above, growth in the importation of low-cost furniture is impacting on the domestic market for cabinetmakers in New Zealand. Figure 1 shows that between 1988 and 1993 approximately \$20M worth of wooden furniture was imported into New Zealand each year<sup>1</sup>. However, by 2005, this figure had risen to \$194M. Non-wooden furniture imports showed an almost identical trend – reaching \$177M in 2005 compared to an average

*Figure 1: Value of Imported and Exported Wooden and Other Furniture (1995/96 prices)*



Source: Statistics New Zealand.

<sup>1</sup> Import and export overseas trade data were sourced from the Statistics New Zealand INFOS system. The data were adjusted to take account of changes in inflation and exchange rates, by standardising to 1995/1996 prices.

of \$49M per annum between 1988 and 1993. In contrast, the value of wooden and non-wooden furniture that have been exported both remained reasonably static from 1999 at an average of \$50M per annum.

4.2.3 Cost reductions and production increases have been made possible by the increasingly widespread use of CNC machinery in large furniture manufacturing firms. This machinery is programmed to automatically perform sequences of woodworking operations, resulting in improved production speeds, and lower staff requirements. A single person is able to programme and tend to several machines at once. A number of employers interviewed during the SERA noted that the increased use of technology in the occupation means there is less of a need for skilled labour.

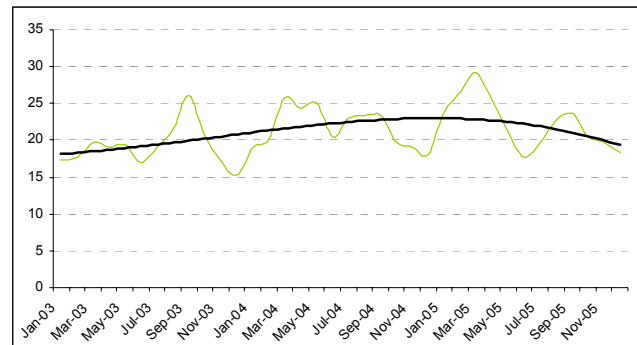
#### 4.3 **Future Demand**

4.3.1 Despite the availability of furniture products made from plastics and other materials, demand for wooden furniture is expected to continue growing as the population grows and personal income rises. An increase in demand for wooden furniture may not, however, translate into a similar increase in demand for cabinetmakers. Continuing technological advances, particularly in large furniture manufacturing firms, and increasing volumes of imported low-cost wooden furniture may prevent employment of cabinetmakers from increasing significantly. The Department concludes, therefore, that demand for cabinetmakers will continue to be subdued in the short term.

#### 4.4 **Changes in Market Conditions<sup>2</sup>**

4.4.1 The Department's Job Vacancy Monitor shows that the number of advertised vacancies for cabinetmakers has fluctuated around an average of 21 since January 2003 (see Figure 2). A slowly increasing trend through 2003 and 2004 reversed to some extent in 2005, indicating that recruitment conditions for employers may have eased slightly in recent months.

Figure 2: Number of Advertised Vacancies for Cabinetmakers



Source: Job Vacancy Monitor, Department of Labour.

<sup>2</sup> Analysis of the Job Vacancy Monitor suggests that it is an indicator of change in labour market tightness, or change in the degree of difficulty of recruiting staff. An increase in vacancies typically indicates increasing difficulty in recruiting staff and vice versa. While changes in demand usually dictate changes in labour market tightness, it can also be affected by changes in supply conditions, such as a rise in net migration.

## 5 Supply of Cabinetmakers

5.1 This section investigates the various sources contributing to the supply of cabinetmakers. Supply is measured by the number of people willing and able to work as cabinetmakers at current wage rates.

### 5.2 **Training - National Certificate (Level 4) Qualifications and Equivalent**

5.2.1 This section investigates the growth in supply of *fully qualified* cabinetmakers through training. It considers two sources of supply:

1. The award of the National Certificate in Furniture Making - Level 4 by the Furniture Industry Training Organisation (FITO). This is the nationally recognised qualification for cabinetmakers which is designed by FITO to meet the needs of employers of cabinetmakers.
2. The award of the National Certificate in Furniture Making Level 4 by other providers such as polytechnics.

5.2.2 Table 4 shows that the vast majority of the National Certificate Level 4 qualifications are awarded by FITO. New enrolments for this qualification have more than doubled from 93 in 2001 to 193 in 2005, while total enrolments have grown from 295 to 424 over the same period. There is a lag between enrolments and achievements, so this upturn only began to yield an increase in the number of National Certificate Level 4 qualifications achieved from 2004. In 2004 and 2005, there were 58 and 60 achievements respectively compared to an average of 34 in 2001 and 2002 (see Table 5). It can be noted that there are no non-national certificate qualifications at the equivalent level of the National Certificate Level 4.

*Table 4: Number of Trainees Enrolled for the Level 4 National Certificate in Furniture Making*

	National Certificate in Furniture Making Level 4 (FITO)		National Certificate in Furniture Making Level 4 (Other Providers)		Total	
	Total Enrolled	New Enrolments	Total Enrolled	New Enrolments	Total Enrolled	New Enrolments
<b>2001</b>	282	89	13	4	295	93
<b>2002</b>	368	136	16	6	384	142
<b>2003</b>	390	136	22	8	412	144
<b>2004</b>	350	157	11	5	361	162
<b>2005</b>	413	188	11	5	424	193

Source: Furniture Industry Training Organisation; Tertiary Education Commission. Some figures were estimated by the Department.

*Table 5: Number of Trainees Achieving the Level 4 National Certificate in Furniture Making*

	<b>National Certificate in Furniture Making Level 4 (FITO)</b>	<b>National Certificate in Furniture Making Level 4 (Other Providers)</b>	<b>Total</b>
<b>2001</b>	32	3	35
<b>2002</b>	28	4	32
<b>2003</b>	36	6	42
<b>2004</b>	55	3	58
<b>2005</b>	56	4	60

Source: Furniture Industry Training Organisation; Tertiary Education Commission. Some figures were estimated by the Department.

5.2.3 The training rate for cabinetmakers is given in Table 6. This indicator provides an approximate measure of the rate at which the supply of fully qualified cabinetmakers can potentially grow through training. The training rate is calculated by expressing the number of trainees achieving the relevant qualification as a percentage of total employment in that occupation. The training rate for cabinetmakers has increased in the last four years from 0.5% in 2002 to 1.3% in 2005. The training rate for cabinetmakers in 2005 was considerably lower than the average training rate of 3.3% for all trades surveyed. By way of comparison, the average training rate for cabinetmakers in New South Wales, Australia<sup>3</sup> in the three years to June 2005 was 1.8% - higher than the training rate in New Zealand over the last three years.

*Table 6: Training Rate for Cabinetmakers, 2001-2005*

	<b>Cabinetmakers</b>	<b>All Trades<sup>4</sup></b>
<b>2001</b>	0.6%	2.0%
<b>2002</b>	0.5%	2.2%
<b>2003</b>	0.9%	2.2%
<b>2004</b>	1.2%	2.7%
<b>2005</b>	1.3%	3.3%

Source: Department of Labour.

### 5.3 **Migration**

5.3.1 New Zealand experienced an average net migratory inflow of 19 cabinetmakers and related workers per annum in the period 2003 to 2005, coinciding with the strengthening of the domestic economy. However, these inflows are significantly less than migratory losses in the previous five-year period from 1998 to 2002, when an average net outflow of 39 cabinetmakers and related workers per annum was recorded (see Table 7). The net increase in the past three years has been driven by both increases in arrivals and decreases in departures compared to

<sup>3</sup> Australian national level estimates of training rates are not available.

<sup>4</sup> The training rates for 'all trades' were calculated for the 14 trade occupations that were examined in-depth using data from the SERA Intensive 2005. As the composition of occupations being examined changes from year-to-year, so will the training rates.

levels in the late 1990s and early 2000s. Information collected in the SERA Intensive indicated that some cabinetmakers were coming into the country from places like Fiji and South Africa, and in the opinion of employers many had good skills.

*Table 7: Permanent and Long-term Arrivals, Departures and Net Migration of Cabinetmakers and Related Workers, 1998-2005 December Year End*

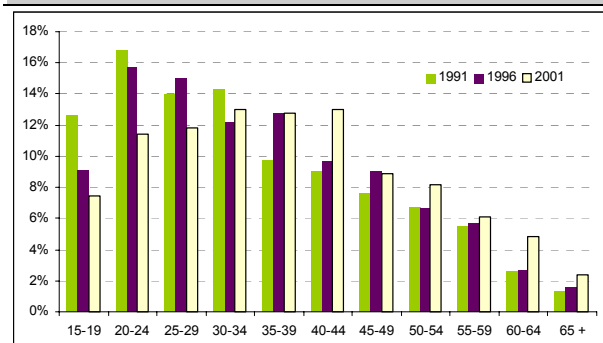
	1998	1999	2000	2001	2002	2003	2004	2005
<b>Arrivals</b>	49	57	38	47	48	58	72	91
<b>Departures</b>	98	102	101	80	55	57	58	49
<b>Net Migration</b>	-49	-45	-63	-33	-7	1	14	42

Source: External Migration, Statistics New Zealand. This data is only available at the broad (3-digit) occupational level 'cabinetmakers and related workers'. Cabinetmakers comprise most (87% in the 2001 Census) of this broader parent group.

## 5.4 Retirements

5.4.1 Based on 2001 Census data, it is estimated that approximately 1.4% of the cabinetmaker workforce retires each year (assuming a retirement age of 65). This equates to a loss of about 70 cabinetmakers per annum. This is higher than the average retirement rate for all trade occupations (1.3%), but lower than the average retirement rate for all occupations (1.5%). Census data shows an ageing of

*Figure 3: Age Profile of Cabinetmakers, 1991-2001*



Source: Census of Population and Dwellings, Statistics New Zealand.

cabinetmakers occurred between 1991 and 2001 (see Figure 3). The percentage of cabinetmakers under 35 years of age decreased from 58% in 1991 to 44% in 2001, while the proportion in all age groups over 40 increased. By 2001, 43% of all cabinetmakers were 40 years of age or older and the average age was 38, up from 34 in 1991. As the cabinetmaker workforce ages, the number of cabinetmakers retiring each year will increase.

## 5.5 Occupational Detachment<sup>5</sup>

5.5.1 Employers were asked if they thought cabinetmakers left the occupation to go and do something different more or less than in other occupations. Of the 16 employers who answered this question, ten thought they left at about the same rate as in other occupations, four thought they left at a higher rate, and two thought they left at a lower rate.

<sup>5</sup> 'Occupational detachment' refers to individuals who choose not to continue practising in their occupation but retain a connection to the occupation (e.g. move into a management or supervisory role, or retain professional registration), or who leave the occupation entirely (e.g. by changing occupation or withdrawing from the labour market).

- 5.5.2 This suggests that occupational detachment may have some impact on supply for this occupation, with some employers saying this may be because of factors such as poor/dirty working conditions and low pay. Cabinetmakers that leave the occupation often tend to move into higher paying related occupations such as carpentry or boat building (which are also experiencing skill shortages).
- 5.5.3 Table 8 shows that cabinetmaker wages are relatively low compared with other trades - an issue noted by some employers as contributing to cabinetmakers leaving the occupation. The Labour Cost Index (LCI) measured an average hourly wage of \$16.40 for cabinetmakers in June 2005 compared with an average wage for all trade workers of \$19.81. According to the LCI, wages of cabinetmakers have increased by 8.0% in the twelve months to June 2005, compared with 4.8% in all trades.

*Table 8: Average Hourly Wage Rates for Cabinetmakers<sup>6</sup>*

	June 2004	June 2005
<b>Cabinetmaker</b>	\$15.18	\$16.40
<b>All Trades</b>	\$18.90	\$19.81

Source: Labour Cost Index, Statistics New Zealand.

## 6 Assessment

- 6.1 This section considers all the information presented in this report on employers' recruiting experiences, supply and demand trends, and matching issues, and offers a view on whether there is a shortage of cabinetmakers and the type of shortage. A short-term outlook for the shortage situation is also offered.
- 6.2 Very strong growth since 2001 in the level of imported low-cost furniture, as well as a static trend in the level of exported furniture, has subdued furniture manufacturing output in New Zealand. There has also been an increased emphasis on high-volume low-cost furniture production using CNC machinery, which is less likely to need a skilled cabinetmaker to operate. These factors have led to a decline in demand for cabinetmakers. In the late 1990s and early 2000s, the number of trainees achieving the benchmark qualification in cabinetmaking each year was far short of the number leaving the occupation through retirement. Net outward migration was also further depleting the pool of cabinetmakers. In 2004 and 2005, new qualification numbers were much higher, although still short of retirements. Positive net inward migration in 2004 and 2005 also added to the supply pool. The fact that the fill rate has remained very low (40% in 2005), despite a continued decrease in demand, indicates that the shortage of cabinetmakers is due to a **genuine skill shortage** (see Box 1 for definition).

<sup>6</sup> The data shown from the LCI are unadjusted mean hourly rates. Caution should be taken with interpreting this information due to the relatively small sample sizes, particularly at the occupational level. Furthermore, the LCI is designed to measure changes in, rather than the actual level of, wage and salary rates.

6.3 Occupational detachment appears to be an issue for cabinetmakers. Factors such as poor/dirty working conditions and low pay relative to other related trades, has meant that many cabinetmakers have left the occupation. This indicates that the occupation is also characterised by **recruitment and retention difficulties**.

6.4 The number of newly qualified cabinetmakers is likely to increase further in the next few years – given growth in the number of new enrolments. If inward migration also continues the current upward trend, then the genuine skill shortage is likely to ease slightly in the short to medium term. While pay levels for cabinetmakers improved between 2004 and 2005, they remain well below the average for trades as a whole. This is likely to mean that some cabinetmakers will continue to leave the occupation for better paying jobs in related fields. Therefore, the Department foresees the recruitment and retention difficulties persisting in the short-term.

#### **Box 1: Skill Shortage Definitions**

##### **Genuine Skill Shortage**

Occurs when employers have difficulties filling their job vacancies because there are not enough individuals with the required skills in the potential labour market to fill the positions on offer.

##### **Recruitment and Retention Difficulty**

Occurs when there is a considerable supply of individuals with the required skills in the potential labour market but they are unwilling to take up employment at current levels of remuneration and conditions of employment. Retention problems are often a major contributor to this condition.

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