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Current conditions in Queenstown-Lakes' labour market – December 2021



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Council

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Table of Contents

Executive summary.....	3
Key findings.....	3
Current state of employment demand.....	5
The current level of employment	5
Churn lifts employment demand, even for subdued industries.....	6
Job ads highlight a high level of demand for workers	8
Labour supply trends	9
Queenstown-Lakes has always relied on migrant labour.....	9
Many temporary migrants have left NZ since COVID-19.....	10
The result has been a slowing in population growth.....	10
Matching in the labour market.....	12
There are very few people out of work in Queenstown-Lakes.....	12
Businesses are reporting difficulty finding labour	12
Businesses are needing to lift wages to find and retain staff	13
The immediate outlook.....	14
Hiring intentions	14
Quantifying the demand for new workers over summer	14

Executive summary

This report has been prepared for Queenstown Lakes District Council by Benje Patterson | People & Places.

The purpose of this report is to provide an evidence base that highlights current conditions and challenges in the Queenstown-Lakes' labour market. The report addresses:

- What has happened to job numbers and demand since COVID-19
- Labour supply trends since COVID19
- The current availability of workers and wage implications
- The prognosis for labour demand and ability for businesses to service visitor demand as borders reopen.

The evidence contained in this report has been drawn from a number of sources, including: Statistics New Zealand, Immigration New Zealand, the Ministry of Social Development, Business South, Queenstown Chamber of Commerce, Ignite Wanaka, and Queenstown Media Group.

Key findings

The key findings of this report are:

- Total employment in Queenstown-Lakes generally declined over the year following our exit from the first lockdown in May 2020, but returned to growth in the middle of 2021.
- Job numbers in October 2021 were 3.3% higher than the previous year and only 406 jobs (1.8%) below their October 2019 level (22,614) from before COVID-19.
- Employment has risen in industries which benefit from the demands of continued population growth – such as construction, health, and education. There has also been some evidence of economic diversification within businesses operating in professional, scientific, and technical services, as well as in manufacturing.
- Although employment levels have fallen in industries servicing the visitor economy, these industries still have a high degree of demand for workers because of churn in their workforce.
- Churn captures the movement of people in and out of roles because of seasonality and other factors. Put simply, churn represents how many people are needing to be replaced and can push up employment demand even in industries that are smaller than before the pandemic.
- Historical taxation data has shown that close to 6,000 jobs needed to be filled each quarter in Queenstown-Lakes in 2019.
- To put current demand for workers in perspective, data from Jobfix shows that there were 891 ads for jobs in Queenstown during November 2021, which was more than double the 421 job ads from this time last year. Most of this increase was because of food and beverage, and accommodation job ads.
- The pool of migrant workers in Queenstown-Lakes has declined significantly since COVID-19. Immigration New Zealand data shows that there were 1,082 fewer people on employer-assisted visas in the district on 2 December 2021, than on 3 April 2020 when we entered our first lockdown.
- The decline in employer-assisted visa holders has been predominantly concentrated on occupations that sit within industries currently experiencing the sharpest increases to job ads.

These occupations include housekeepers, sales assistants, retail supervisors, waiters, kitchenhands, hotel/motel receptionists, and cleaners.

- International migration losses have been offset by regional migration from other parts of New Zealand, but most people moving to Queenstown-Lakes from other parts of the country have been retirees and families with children. The upshot has been that recent population growth has added very little to the current labour supply in the district.
- Of the population increase during the June 2021 year, only 320 people were of working age (15 to 64 years), with almost half of these people (130) in the later years of their working life aged 55 to 64 years.
- Given high levels of employment demand and only slow growth in the working age population, it is not surprising to also see evidence that the pool of people available for work in Queenstown-Lakes has diminished significantly over the past year.
- There were 462 people in Queenstown-Lakes District who were receiving a Jobseeker Support benefit in November 2021. This number is well down from its peak in August 2020 when there were 1,086 people receiving similar support.
- The December 2021 quarter Queenstown-Lakes business confidence survey showed local businesses are reporting difficulty finding staff. The Chamber-administered survey data showed a net 56% of businesses reported difficulty finding skilled or specialist staff over the past three months, while a net 45% reported such difficulties finding unskilled staff.
- The inability to find staff can be a limiting factor for businesses' operations. The most recent Chamber business confidence survey showed that 24% of Queenstown-Lakes businesses have reduced their operating hours over the past three months.
- The current scarcity of workers available to fill vacancies is pushing up wages. Average incomes in Queenstown-Lakes across the October 2021 year were a record \$58,813, which was up a rapid 8.5%pa from the previous year. By comparison, average annual income has grown by 5.9% nationally.
- Wage increases are helpful for supporting living standards of staff, particularly in light of increased housing and other living costs, but the cost burden is particularly challenging for businesses whose revenue have been subdued because of COVID-19 restrictions.
- Employment challenges are likely to intensify further over summer. Even in a scenario where there is half the usual scale-up between spring and summer, Queenstown-Lakes businesses may need to hire almost 5,000 staff. This estimate would comprise around 4,500 workers to account for workforce churn after spring and just over 400 to account for summer growth.
- Many of these people hired to account for workforce churn will involve a reshuffling of workers between what they do over the winter months and what they do during summer. However, some workforce churn would also need to be plugged by attracting a new resident into the local area to offset every person who may have left Queenstown-Lakes after the ski season had ended.
- In the current context, where population growth of people who are of working age over the past year has only been 320 people and there are very few out-of-work people in the district, it is hard to see businesses being able to find willing workers to meet this employment demand.
- This observation raises bigger concerns regarding the ability of Queenstown-Lakes' businesses to be in a position to capitalise on any additional trade if borders are gradually relaxed through the first half of next year.

Current state of employment demand

This section provides insights into the current state of employment demand across Queenstown-Lakes. It considers:

- What has been happening to the total level of employment in Queenstown-Lakes since COVID-19
- How workforce churn can add to employment demand even in industries with subdued employment levels
- What has been happening to job ads across the district.

The current level of employment

Evidence of current employment levels in Queenstown-Lakes can be drawn from administrative datasets of payroll tax filings. These payroll statistics are released monthly by Statistics New Zealand and capture the number of jobs which are currently filled within businesses in Queenstown-Lakes.

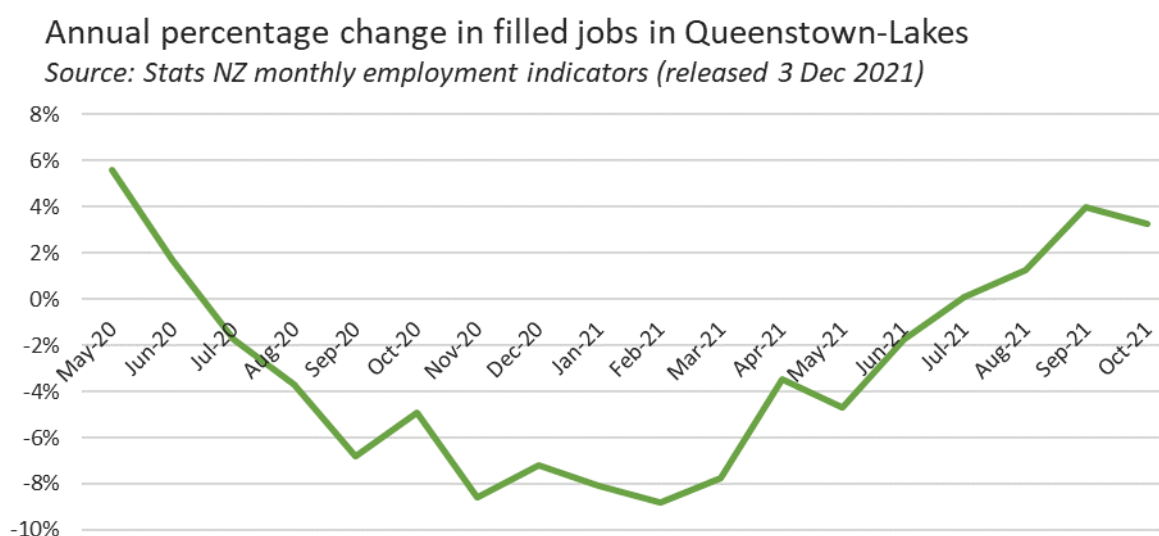
Payroll data shows that job numbers within Queenstown-Lakes businesses during October 2021 totalled 22,208, which was up 3.3% from 21,402 jobs a year ago during October 2020. Job numbers in October 2021 were only 406 jobs (1.8%) below their October 2019 level (22,614) from before COVID-19.

Table 1 – Filled jobs in Queenstown-Lakes in October 2021 compared to one and two years ago

Filled jobs in Queenstown-Lakes businesses			
<i>Source: Statistics New Zealand monthly employment indicators (released 3 December 2021)</i>			
	Oct-21	Oct-20	Oct-19
Number of filled jobs	22,208	21,502	22,614

Employment trends since COVID-19 show that job numbers generally declined over the year following our exit from the first lockdown in May 2020, but returned to growth in the middle of 2021.

Graph 1 – Employment growth trends since COVID-19



Recent employment growth has been largely centred on industries which benefit from the demands of continued population growth – such as construction, health, and education. There has also been some

evidence of economic diversification, with strong growth in employment within businesses operating in professional, scientific, and technical services, as well as in manufacturing.

These growth industries have largely offset falls in employment levels within industries servicing the visitor economy, which have struggled amid border closures. Visitor economy-related industries that have been most affected include: accommodation and food services, wholesale trade (which captures food service trade into hospitality), administrative and support services (includes employment temping agencies), transport (includes scenic tours), and retail. Arts and recreational service employment (which includes visitor activities like skiing) has grown because it also includes resident-orientated services, such as pools, gyms, and libraries.

Table 2 – Changes in employment within industries compared to their pre-COVID-19 level

Change in jobs within industries in Queenstown-Lakes compared to two years ago before COVID-19	
<i>Source: Statistics NZ monthly employment indicators (released 3 Dec 2021), October 2021 vs 2019</i>	
Industry	Change in filled jobs from October 2019 to 2021
Construction	532
Health Care and Social Assistance	238
Professional, Scientific and Technical Services	159
Manufacturing	130
Education and Training	122
Arts and Recreation Services	106
Other Services	87
Public Administration and Safety	76
Electricity, Gas, Water and Waste Services	56
Agriculture, Forestry and Fishing	53
Financial and Insurance Services	23
Mining	4
Rental, Hiring and Real Estate Services	-47
Information Media and Telecommunications	-66
Retail Trade	-74
Transport, Postal and Warehousing	-132
Administrative and Support Services	-209
Wholesale Trade	-329
Accommodation and Food Services	-1,133
Total change in filled jobs since October 2019	-406

Churn lifts employment demand, even for subdued industries

When considering the labour needs of Queenstown-Lakes, it is important to not only consider changes in the underlying level of employment, but to also consider employment churn. A high level of churn means that businesses will have a high demand for new workers, even if those businesses' underlying levels of employment haven't actually expanded.

Employment churn captures the movement of people in and out of roles, be that because of seasonality or because of workers who retire, change careers, or move away from Queenstown-Lakes. Put simply, churn represents how many people are needing to be replaced.

Taxation data from the Linked Employer-Employee Dataset showed that the worker turnover rate in Queenstown-Lakes each quarter averaged 25% over the September 2019 year before COVID-19, compared to 16% nationally¹. A 25% worker turnover rate each quarter was the equivalent to just over 6,000 jobs per quarter that needed to be filled.

This data on churn is reinforced by a more recent November 2021 survey by Queenstown Media Group of 370 of its readers, which found that 31% of respondents had changed employers in the past 12 months.

Worker churn within Queenstown-Lakes is extremely high within tourism-related industries. Some of that churn is because workers have traditionally been transient (eg. travellers) and so only want to work for short periods, while seasonal factors also add significantly to churn.

The following table shows that the three industries with the highest levels of churn (accommodation and food services, administrative and support services, and arts and recreation services) are all closely related to tourism. The upshot of high levels of churn in these tourism-related industries is that you would expect them to still have a high degree of demand for new workers, even though we are currently in a situation where the overall level of employment in tourism has been subdued by the absence of international visitors.

Table 3 – Comparing differences in worker churn across industries in Queenstown-Lakes

Comparing employment churn across industries in Queenstown-Lakes	
<i>Average worker turnover rate each quarter, source: Statistics NZ LEED, September 2019 year</i>	
Industry	Worker turnover rate
Administrative and Support Services	37.3%
Arts and Recreation Services	34.5%
Accommodation and Food Services	30.4%
Rental, Hiring and Real Estate Services	24.5%
Agriculture, Forestry and Fishing	24.0%
Transport, Postal and Warehousing	22.6%
Retail Trade	22.2%
Information Media and Telecommunications	20.1%
Manufacturing	19.2%
Health Care and Social Assistance	18.1%
Mining	17.4%
Other Services	16.7%
Professional, Scientific and Technical Services	16.7%
Construction	16.6%
Public Administration and Safety	16.2%
Wholesale Trade	16.2%
Education and Training	16.0%
Electricity, Gas, Water and Waste Services	15.7%
Financial and Insurance Services	12.9%
Worker turnover rate across all industries	24.7%

¹ The worker turnover rate captures the proportion of jobs that are subject to worker churn each quarter – i.e. the proportion of workers that need to be replaced each quarter.

Job ads highlight a high level of demand for workers

An analysis of job ads highlights that there is currently a high level of demand for workers in Queenstown.

Data from Jobfix (which is a division of Queenstown Media Group) shows that there were 891 ads for jobs in Queenstown during November, which was more than double the 421 job ads seen in November 2020, and almost on par with the 903 job ads in November 2019 before the pandemic.

Moreover, the data also shows that the types of workers who are most in demand at present are in some of the industries whose fortunes have been most severely affected by the pandemic – such as food and beverage, and accommodation. In fact, food and beverage job ads have soared to a record level. This finding confirms the analysis in the previous sub-section which highlighted that industries with high levels of churn (i.e. tourism and hospitality) can have a high degree of demand for new workers even in a situation where the overall size of the industry is smaller than before the pandemic.

Table 4 – Comparing job ads in Queenstown to their 2020 and pre-pandemic levels from 2019

Job ads in Queenstown			
<i>Source: Jobfix (a division of Queenstown Media Group)</i>			
	Nov-21	Nov-20	Nov-19
Food and beverage	499	228	368
Accommodation/hotels	142	48	180
Construction, utilities, and transport	118	66	120
Retail, services, and tourism	94	60	181
Health	18	10	30
Government	12	1	15
Finance, real estate, and admin	8	8	9
Total job ads	891	421	903

Labour supply trends

This section highlights labour supply trends in Queenstown-Lakes to give more context as to who might be available to meet labour demands of employers. It covers:

- The role of migrant labour in Queenstown-Lakes before COVID-19
- What has happened to the pool of temporary migrants since the pandemic
- Population growth trends that have persisted over the past year.

Queenstown-Lakes has always relied on migrant labour

Migrant labour played an important role in Queenstown-Lakes' economy prior to COVID-19. Data from Immigration New Zealand showed there were 3,513 people in Queenstown-Lakes on employer-assisted visas as of 3 April 2020. These people on employer-assisted visas were equivalent to approximately 15% of the 23,236 filled jobs in Queenstown-Lakes in March 2020 as we entered lockdown.

Alongside employer-assisted visa holders, Queenstown-Lakes also had a large contingent of temporary workers on working holiday visas, as well as other types of migrant visa holders. Unfortunately, many of these migrants cannot readily be attributed to Queenstown-Lakes within Immigration New Zealand data.

As further context, data from the 2018 Census highlighted that 30% of Queenstown-Lakes' workforce had arrived in the district from overseas within the last five years. The Census also showed that this reliance on migrant labour varied between industries, with accommodation and food services relying most heavily on migrant labour. This situation made the hospitality sector particularly vulnerable to closed borders.

Table 5 – Proportion of employees who moved from overseas within 5 years of Census 2018

What proportion of employed Queenstown-Lakes residents lived overseas five years ago?	
<i>Source: Census 2018, proportion of employed people who lived overseas 5 years earlier</i>	
Industry	% of employees living overseas 5 years earlier
Accommodation and Food Services	56.7%
Administrative and Support Services	37.1%
Retail Trade	33.8%
Arts and Recreation Services	32.5%
Wholesale Trade	29.7%
Electricity, Gas, Water and Waste Services	28.1%
Other Services	26.1%
Manufacturing	25.1%
Rental, Hiring and Real Estate Services	25.1%
Construction	22.8%
Information Media and Telecommunications	19.2%
Transport, Postal and Warehousing	18.4%
Professional, Scientific and Technical Services	17.3%
Health Care and Social Assistance	16.5%
Financial and Insurance Services	16.3%
Agriculture, Forestry and Fishing	15.7%
Public Administration and Safety	12.7%
Education and Training	11.9%
Total across all employees	30.4%

Many temporary migrants have left NZ since COVID-19

The pool of migrant workers in Queenstown-Lakes has declined significantly since COVID-19. Immigration New Zealand data shows that there were 2,431 people in Queenstown-Lakes on employer-assisted visas as at 2 December 2021. This figure was 31% (1,082 people) lower than the 3,513 people on employer-assisted visas back on 3 April 2020 around when we entered our first lockdown.

To put this reduction in employer-assisted visa holders in perspective, the payroll statistics presented earlier in this report showed that overall employment levels across Queenstown have fallen by just 406 filled jobs over the two years to October 2021. In other words, the magnitude of the reduction in migrants on employer-assisted visas appears greater than the fall in employment in the district, meaning the worker shortfall has needed to be plugged from other sources.

The Immigration New Zealand data further highlights that the decline in employer-assisted visa holders has been predominantly concentrated on occupations that sit within industries currently experiencing the sharpest increases to job ads. These occupations include housekeepers, sales assistants, retail supervisors, waiters, kitchenhands, hotel/motel receptionists, and cleaners.

Main occupations of people on employer-assisted visas in Queenstown-Lakes

Source: Immigration NZ, occupations with at least 50 individuals on visas in Queenstown-Lakes

Occupation	People on employer-assisted visas		Change
	3/04/2020	2/12/2021	since 3/04/2020
Commercial Housekeeper	289	86	-203
Sales Assistant (General)	274	108	-166
Retail Supervisor	272	138	-134
Waiter	214	94	-120
Kitchenhand	138	37	-101
Cook	120	59	-61
Hotel or Motel Receptionist	89	32	-57
Commercial Cleaner	117	63	-54
Fast Food Cook	51	29	-22
Bar Attendant	54	33	-21
Hotel Service Manager	65	61	-4
Builder's Labourer	74	74	0
Carpenter	78	97	19
Cafe or Restaurant Manager	75	101	26
Retail Manager	39	69	30
Chef	177	217	40

Note: This data does not include people on visas with “open” work conditions (such as working holiday visa or partner of worker).

The result has been a slowing in population growth

A broader look at population growth statistics since COVID-19 further highlights the role of lower international migration in constraining the supply of labour in the local economy. Statistics New Zealand's population estimates show that population growth in Queenstown-Lakes has slowed from levels above 5%pa in 2019 and 2020 to just 1.9%pa growth in the June 2021 year.

Table 6 – Population changes in Queenstown-Lakes before and since COVID-19

Queenstown-Lakes population over recent years		
<i>Source: Statistics New Zealand population estimates for Queenstown-Lakes, as at June each year</i>		
	Level	Growth since previous year
2019	44,800	5.4%
2020	47,400	5.8%
2021	48,300	1.9%

An analysis of the sources of the recent population slowdown highlights that the key detractor was international migration. Even after factoring in the return of New Zealanders from overseas, Queenstown-Lakes lost a net 390 residents to international migration in the June 2021 year. By comparison, regional migration into Queenstown-Lakes from other parts of New Zealand contributed a net 860 people to growth over the past year, while natural increase (from births and deaths) contributed a further 410 people to growth.

Many of the people moving into Queenstown-Lakes from around New Zealand have been retirees and families with children. The upshot has been that very little of the recent population growth in Queenstown-Lakes has been from people in their peak working years and so add very little in the immediate term to the labour supply.

The following table highlights that of Queenstown-Lakes' total change in population of approximately 900 people, some 230 were children and 360 were aged over 65 years.

Furthermore, only 320 people of the population increase during the June 2021 year were of working age (15 to 64 years), with almost half of these people (130) in the later years of their working life aged 55 to 64 years. This population growth of people who are of a prime working age is insufficient to keep up with current levels of employment demand.

Table 7 – Demographics of population growth in Queenstown-Lakes over the past year

Queenstown-Lakes population by broad age group			
<i>Source: Statistics New Zealand population estimates</i>			
	Population as at		Change
Age group	Jun-20	Jun-21	Jun-20 to Jun-21
0-14	7,250	7,480	230
15-44	24,990	25,020	30
45-54	5,750	5,910	160
55-64	4,540	4,670	130
65+	4,870	5,230	360
Total	47,400	48,300	900

Matching in the labour market

Against a backdrop of high levels of employment demand and only slow growth in the supply of workers, this section highlights how effectively the labour market is matching. It covers:

- Data regarding how many people locally are out of work and receiving Jobseeker Support
- Businesses' reports on the difficulty of finding workers and how that affects the ability to operate
- The effects of worker shortages on wage growth.

There are very few people out of work in Queenstown-Lakes

Given that we have shown growth in the working age population has not been keeping up with employment demand, it is not surprising that there is also evidence that the pool of people available for work in Queenstown-Lakes has diminished significantly over the past year.

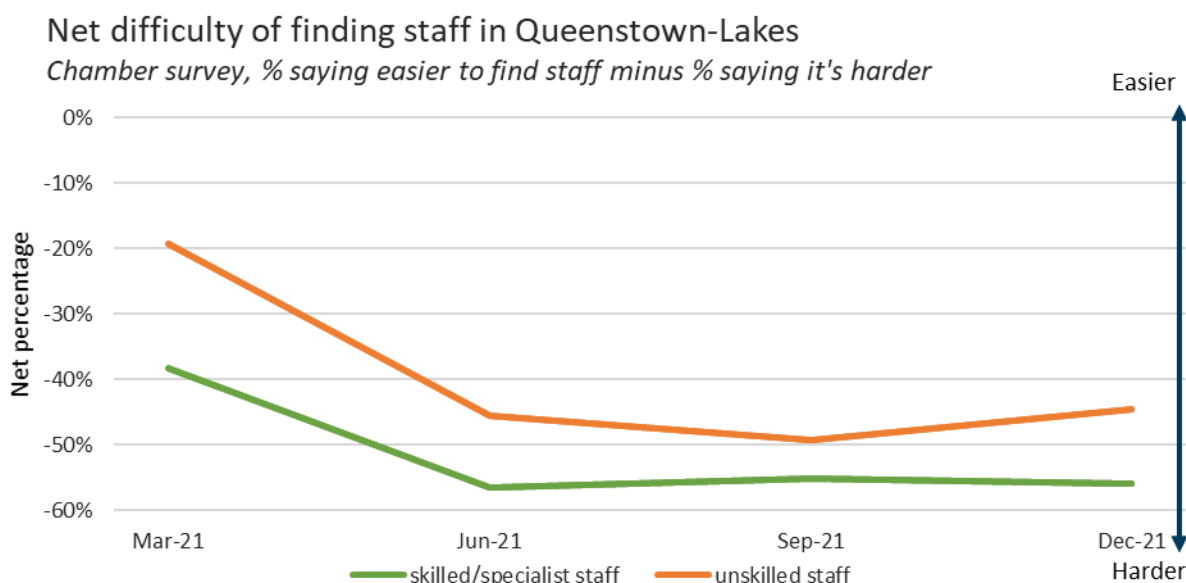
Statistics from the Ministry of Social Development (MSD) provide a measure for those who are out of work and are receiving a Jobseeker Support benefit. The data shows that there were 462 people in Queenstown-Lakes District who were receiving a Jobseeker Support benefit in November 2021. This number is well down from its peak in August 2020 when there were 1,086 people receiving similar support (Jobseeker Support or the discontinued COVID-19 Income Relief Payment).

The number of people currently receiving Jobseeker Support in Queenstown-Lakes equates to just 1.3% of the working age population (15 to 64 years). By comparison, 181,971 people nationally were receiving Jobseeker Support in November 2021, which equates to 5.5% of New Zealand's working age population.

Businesses are reporting difficulty finding labour

The December 2021 quarter Queenstown-Lakes business confidence survey showed local businesses are reporting difficulty finding staff. The Chamber-administered survey data showed a net 56% of businesses reported difficulty finding skilled or specialist staff over the past three months, while a net 45% reported such difficulties finding unskilled staff. Both measures have deteriorated since the beginning of 2021.

Graph 2 – Net percentage of Queenstown-Lakes' businesses experiencing difficulty finding staff



The inability to find staff can be a limiting factor for businesses' operations. In response, some businesses are operating at reduced capacity, with many closing some days or opening fewer hours because they do not have the right staff available to operate safely and provide a quality service to customers. The most recent Chamber business confidence survey from the December 2021 quarter showed that 24% of Queenstown-Lakes businesses have reduced their operating hours over the past three months. The lack of new staff is also putting pressure on existing staff and with that comes the risk of increased stress and burnout, which could ultimately exacerbate workforce churn.

Businesses are needing to lift wages to find and retain staff

The current scarcity of workers available to fill vacancies is pushing up wages. Not only are businesses having to compete to allure people who have multiple options to choose between, but many businesses are lifting their pay rates for existing staff to help retain them.

Payroll data from Statistics New Zealand highlights what has happened to wages recently. Average incomes in Queenstown-Lakes across the October 2021 year were a record \$58,813, which was up a rapid 8.5%pa from the previous year. By comparison, the payroll statistics show that average annual income has grown by 5.9% nationally.

These wage pressures look set to continue, with 39% of businesses responding to the Chambers' December quarter business confidence survey expecting to offer wage increases over the next three months. By comparison, just 25% of businesses expected to increase wages during the Chambers' first survey of 2021 in the March quarter.

Wage increases are helpful for supporting living standards of staff, particularly in light of increased housing and other living costs. Nevertheless, the cost burden of such rapid pay increases is particularly challenging for businesses to bear, considering their ability to trade and revenue have been subdued because of COVID-19 restrictions.

Wage pressures have also been noted by Business South during its delivery of the Regional Business Partner (RBP) programme. During interviews with hundreds of local businesses, RBP growth advisors have noted a reoccurring concern surrounding employee retention "with some staff being encouraged away with higher pay offers, and some leaving due to being unable to afford life in the district".

The immediate outlook

This section considers the immediate outlook for hiring in Queenstown-Lakes. It covers:

- Businesses self-reported hiring intentions
- A scenario of the potential scale of demand for workers over the months ahead.

Hiring intentions

The Queenstown-Lakes business confidence survey for the December 2021 quarter showed that a net 19% of businesses anticipate increasing their staff numbers over the next three months, compared to a net 0.0% of businesses in the September quarter.

This lift in hiring intentions is consistent with seasonal trading patterns – even with border closures, there is an expectation that summer trade will be higher than what was experienced through the lockdown-affected spring.

Quantifying the demand for new workers over summer

Unfortunately, businesses will face challenges finding people this summer to match their increased demand for workers, as well as to offset workforce churn that occurs between spring and summer.

To put things in perspective, during the March 2020 quarter summer period immediately before COVID-19, Queenstown-Lakes businesses had to hire approximately 6,370 workers – with about 900 of these workers to account for scaling up to the summer peak in tourism demand and 5,470 of the hires to account for workforce churn.

For the current summer season there is likely to be a smaller scaling up compared to usual. But even in a scenario where there is half the usual scale up between spring and summer, Queenstown-Lakes businesses may need to hire almost 5,000 staff. This estimate would comprise around 4,500 workers to account for workforce churn after spring and just over 400 to account for summer growth.

Many of these people hired to account for workforce churn will involve a reshuffling of workers between what they do over the winter months and what they do during summer. However, some workforce churn would also need to be plugged by attracting a new resident into the local area to offset every person who left Queenstown-Lakes after the ski season had ended. In the current context, where population growth of people who are of working age over the past year has only been 320 people, it is hard to see businesses being able to find workers to replace people who have left after winter, let alone find more people to scale up in anticipation of a summer peak.

In short, workforce shortages in Queenstown-Lakes will intensify over summer, even in a scenario of half the usual scale up. This observation raises bigger concerns regarding the ability of Queenstown-Lakes' businesses to be in a position to capitalise on any additional trade if borders are gradually relaxed through the first half of the year. For businesses to be ready to meet increased demand as international visitors return, some temporary workers will need to be allowed into the local area to fill seasonal workforce gaps ahead of any border relaxations.