

A GLOBAL ISSUE

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Abstract

In world terms New Zealand's competitiveness has slipped from 3rd to beyond 13 in the preceding 5 years. With a population of less than 4 million New Zealand relies very heavily on exports, in our case the export of wood in its many forms.

Whilst plantation trees themselves constitute a woodcell production unit, they are unable to reliably produce quality fibre without the intervention of man. Harvesting and any subsequent manufacturing of the resource requires significant labour. The jobs are potentially hazardous with capital and operating costs at a high level. The labour component must therefore be highly skilled in order to achieve competitive results.

Increasing pressure on the labour force forces us to put more capital into mechanisation, only to find that the residual labour units, whilst less in number must be more highly skilled.

New Zealand currently produces some 19 million tones of wood in log form per annum. We currently employ around 2500 people to do this work, through the forestry, harvesting, manufacturing and associated sectors. If the balance of mechanisation and proportion of processing were to remain constant New Zealand will

need to increase its forestry workforce by 14000 by 2010 and by a further 6000 by 2020.

Yet, worldwide, we are plunged into a deflationary economy where wood prices are falling and profit margins have eroded accordingly.

The New Zealand investment in plantation forestry is currently in the order of \$10+ billion. In Japan their huge plantation forest investment became uneconomic due to cost increases and exchange rates. Will New Zealand face this same dilemma? Will New Zealand's technology, labour and management enable that forest investment to be reaped?

Introduction

There are many factors effecting New Zealand's competitiveness in the forest sector. These include, technology, wood quality, legislation, exchange rates, materials supply and labour, but to name a few. Each industry has its own key factors but the one that is common to all is labour.

With the best possible equipment, raw materials supply, markets, equity ratio, etc business can still be an absolute disaster without suitable labour. Put in different terms one could rate degree of business success as a correlation to

provision and ability of labour units (management included).

We now compare ourselves as a nation to Japan the Philippines and China. One unit of labour in New Zealand is equivalent cost wise to 40-50% in Japan, 800% in the Philippines and 1200% in China. Does one Kiwi really achieve the outcome per day of 12 Chinese or 8 Philipinos who are largely university educated, English speaking people?

Japan on the other hand has long realised that even with high level mechanisation there is no future in manufacturing within their own country. They have strategically exported their labour intensive businesses to other countries where labour is more competitive.

In New Zealand we had a saying that "a Kiwi will fix anything with his ingenuity and a coil of no 8 wire", and so this was probably quite justified when we look back at our developing era, where generations were brought up on the land and in rapidly developing base industries where ingenuity was required at every corner. A combination of intelligence and ability to apply thoughts into practical situations to achieve improvement.

The proportion of youngsters being brought up in these situations in New Zealand have vastly diminished, kids watch TV, live in a world of packaged indoor entertainment, in a developed environment where many things are done for them by automation.

It is very relevant that world business magazines report that over the next three year period your business will need to generate 30% of its gross revenue through innovation in order to keep pace with world change and

competitively. Are Kiwis still up to this kind of innovation?

On the brighter side my Company employ several Japanese who bring their families to New Zealand for 2 - 5 year assignments. Typically they tell us that the education level here is less strenuous and less advanced than Japan's, however they all concede that the education here is more applied and kids learn to turn their knowledge into practical application. Perhaps there is something to be learned from this experience.

If we in New Zealand are to profit from the forest industry then we must harvest and preferably process to a greater degree those existing and future forest investments.

There are two outstanding problems to tackle, separate but overlapping, being the existing workforce and the required future workforce. The massive net expansion required to fulfill New Zealand's harvesting and processing labour force is of prime concern. If we had a highly skilled, motivated and successfully competitive workforce now we could expand in moderate steps with minimal reduction in workforce quality. To expand on a workforce base which is slipping backwards in skill and competitiveness will result in decreased skill and competitiveness. To expand by the magnitude that New Zealand needs to cover the next two successive decades will spell sure disaster to this industry unless very careful planned steps are undertaken.

What are the issues we face in provision of a competitive workforce? How far can we automate to reduce the labour numbers in our industry? These are key questions we need to recognise and solve with total commitment,

urgently and progressively as our industry scales up.

Selection

In Japan it is so difficult to get people to work out in the forests that the pay rates are now too high to be competitive and often foreigners are imported to perform pruning and other basic tasks. In New Zealand there are probably a lot less keen outdoor workers now than there were a decade or two ago.

At one rural East Coast school the headmaster is quoted as threatening his non performing sixth form students that "if they don't achieve this year they'll end up having to work in forestry forever more". I recall in the seventies whilst establishing Government forests we were sent busloads of referrals from the welfare and unemployment lists to perform planting, pruning, thinning and so on. In the harvesting sector through the seventies and eighties many new employees were recruited ex the local bar rather than any advertising and selection basis.

We did establish those forests, we are harvesting them, but we have injury, lack of productivity and labour turnover. The selection and turnover are closely related. You can't tackle turnover itself without looking closely at the job and the employee. Nobody can enjoy a job where they are not comfortably successful. If a job is not well understood it is more difficult. For example a tree faller; he needs to understand the physics of tree falling in order to be productive, to do a neat and high value recovery job, to be of assistance to the breaker out and of course to stay safe on the hill. Sounds pretty basic I know but how many

fallers are employed who never really achieve those factors?

Then there's physical ability. Many forest industry roles are physically demanding. In tree felling once again how many fallers are employed or work their way into this role without pre employment medicals, especially physio checks. Resultantly how many fallers suffer bad backs and other ailments.

Basically if a worker is not suited through physical or intellectual ability to the task in hand they will fail to enjoy success and the job will become a "wage earner" rather than a career to enjoy and develop.

It seems that our industry has suffered the Bogor image far too long. The principle at that East Coast rural school was simply reflecting his view, a not uncommon view, of what he sees as the forest industry workforce. Yet, this is the workforce expected to fall \$15,000 worth of trees per man per day, to drive machinery worth a million dollars a piece where men's lives depend upon their accuracy and awareness and in processing where their actions create or lose hundreds of thousands of dollars per day. To perform these jobs to the fullest and be successful these are not just "anybody" jobs. These are jobs requiring a degree of intellectual ability, physical ability, pre training as well as attitude.

In proposing this one must stay mindful that a rocket scientist will not remain satisfied for long at all working as a defilletter in the sawmill - every job has its requirements.

Proper task identification corresponding identification of the key attributes identification and the correct selection of applicants must be a key

feature for our future success. We cannot survive with the unemployed column and the job seekers at the local bar, we want the top 2% of the workforce, who will be successful and project the image that others like them wish to join into.

There are many varying figures about the rate and costs of labour turnover in our industry. My own Company's experience is that we lose 20+% of the workforce per year at a minimal cost of \$10,000 per worker. If this were typical for our New Zealand forest industry with the current 25000 direct employees we are losing \$50 million per year in costs of turnover.

Training

New Zealand is well placed to pretrain its forest workforce through the NZQA unit standards system. Large sums of money collected from taxes are distributed into our training through Forest Industries Training (FIT). Workers are heavily subsidized to achieve unit standards that will give them the technical know how and practical technique to succeed in their roles.

As industry we are sometimes lethargic in taking fullest advantage of this opportunity.

Training is but one in the suite of factors effecting our competitiveness. So many times I hear workers, prime contractors and management say "oh we don't need to bother about the tickets, these blokes know it all already". Such a bold and foolish statement.

There is no substitute for experience on a job but the older more experienced worker must also be amenable to change and new ideas

from trained workers. This is where our innovation will stem from. We must aim at increasing the skill level of the new entrant worker so that he can come up to competitive productivity faster. For the existing worker training must be used to take them up to a new and advanced level so as to further increase their productivity and in doing so maintain their enthusiasm and drive within our industry.

Furthering the technical knowledge of our already skilled employees is how we will continue to improve. The increased knowledge of fundamentals will give rise to innovation and development.

With mechanisation on the increase we must select and retrain operators to a far higher level. Much can be learned from overseas especially Scandinavia and USA but also Australia. The operators for these highly technical machines will be far more difficult to find and train than our conventional operators. The cost of having them untrained, bumbling along in a \$750,000 machine, is unsustainable.

One cannot talk about labour turnover and training without making mention of our industries horrendous management restructuring over the past decade. Every company has its needs but at a time when New Zealand is poised to expand at such a rate we seem to have offloaded so many of our experienced management. Managers who have 15 or more years of forest experience are no longer easy to spot in this industry and as a result we see many of the hard earned lessons being repeated time and again, at the expense of industry at large.

An element of change is great to introduce new thinking within any

team, as is extended adult training of existing management.

One area of training which has been very deficient over previous years is that of wood technology and end uses. After growing and harvesting forest for 16 years I joined a wood processing and marketing company. Ten years on I am very mindful of the many mistakes made in forest growing. Our industry must focus on the profitable wood end uses and strive to produce the goods for that.

Strong collaboration and integration between markets, processors and forest growers is needed to focus everyone on the products. The products pay the money which pays all of the upstream industry, therefore far greater emphasis needs to go into training staff to have a better understanding of the end uses and the qualities of those products.

Conditions

Working in the forest and in wood processing plants may not be everyone's idea of a cool occupation. These days not so many people enjoy working in the outdoor environment or in a manual occupation.

I believe its all in the image. Look for example at the Navy. Who in their right mind would want to go to sea for months on end in a tin boat that has no commercial target other than to spend the allocated budget – but take a look at their recruitment advertisements on television!

Forestry and wood processing have a huge range of occupations, many of them requiring high level technical ability, many coupled with high physical demands. Put in the right manner surely this is attractive to high achievers in sixth and seventh forms at

college. If they want that kind of challenge then the conditions are a part of that.

From industries view point there are some negatives that we could work on to improve perception of conditions within our industry. Lack of continuity of work is one area commonly cited as a detraction from joining. The upheaval of employees and their families who are constantly thrown out of work due to company requirements is now a very public issue that we need to work on.

Safety at work is another area of concern to all employees. The risk of injury or fatality in the forestry workplace is high. It's a reason not to be happy about the conditions out there. We must get behind the industry initiatives such as "FORESTSAFE" to improve our work conditions.

Mechanisation

Over the past decade forestry has mooted mechanisation to be our prime method of innovation and labour reduction. Although I do not disagree with this concept I wish to make the following observations.

Essentially our occupation centers around producing timber products that will sell, perform well and return good value to our sector. Radiata is an extremely variable product, from stump to tree top, from bark to pith. Being able to detect sort and segregate qualities throughout the tree, veneer mill and sawmill to produce acceptable customer product is a most important task.

Mechanisation can cope with some of this and as technology advances we will proceed further. The current suite

of equipment will only partially sort logs, veneer and lumber for high value products hence trained people are needed every step of the way.

The more average the sorting, the lower value the products will be. In a world market where our radiata resource is no longer the "cheap" feedstock it used to be we cannot afford to settle for average products. Radiata can attain an average processed value (in component form) of \$1000/m³ at best. By contrast the run of bush type grades we know as J or K grade export will make \$400 m³ at best.

In short, mechanisation is a step by step process. It will not solve our labour issues. Over time it may reduce numbers required per m³ of produce, but it will also necessitate an increase in the skill level and capital of the industry.

Conclusion

There is little doubt that New Zealand will undergo major challenge in achieving a worthy workforce over the next two decades. Currently there are major issues in front of us such as, the image of forestry, the selection of employees, their training, the industry conditions and the current and future mechanisation trends.

To a large extent these are industry wide issues. To try and solve them alone is a futile act as employees, companies and manufacturers all interact through the employment market. Industry must take the lead and plan for its future. The issues need clarification, explanation and recommendation. This is perhaps the easy step.

More importantly industry needs an action plan driven through FIC/FOA and on through FIT etc. Accomplishment of the future workforce requirement is the single largest cornerstone to our industries success in world markets. Major wage increases cannot figure in the equation, intrinsic benefits, a keenness to be a part of our industry and enjoyment will be the key.

Without sound planning on a unified basis we are planning to fail. The people are here in New Zealand, the wood is "on the hill". Capital has never really been an issue. The markets are getting more demanding in terms of price and quality as years go by and increasingly we compete with the likes of China and the Philippines.

The challenge is ours!