

Skills, employment and capability and the Provincial Growth Fund

Purpose

The purpose of this paper is to outline the Provincial Growth Fund (PGF) approach to support sustainable employment outcomes in the regions.

Vision

The overarching vision is to leverage the PGF investment to deliver sustainable employment outcomes for New Zealanders in the regions.

Objectives of PGF investment

The specific objectives of the PGF's investment in regional employment outcomes include:

1. Growing human capital, through supporting people into sustained employment by lifting their readiness for the work opportunities in their area, while at the same time providing opportunities for the current workforce or those who are underemployed to upskill and move up the employment pipeline.
2. Growing the ability of firms and businesses to access a work-ready local workforce and build confidence for continued business investment.
3. Ensuring a connected, coherent and easily accessible government system at the local level, including provision of the most regionally and industry-relevant skills and training, and comprehensive pastoral support tailored for individual needs.
4. Establishing hub spaces where local employers and local people can connect face to face to understand how each can support the other to achieve sustained employment outcomes, including what 'work readiness' means for their context. This also includes connecting current employees with training that enables them to progress within current roles, and to access higher skilled roles.
5. Well-evidenced and empowered local solutions that inform system-wide change over the long-term. Investment has a life beyond the PGF.

Achieving these objectives will help ensure a return on the PGF investment for New Zealanders, with individual people and whānau having the ability to earn higher incomes, leading to improved standards of living. This will help decrease reliance on the state, and build more resilient and cohesive communities where people want to stay, return or move to, and invest in. It will also minimise reliance on low-skilled migrant labour in certain sectors.

Context

Parts of New Zealand's regions and communities have significant numbers of people of all ages who are Not in Employment, Education or Training (NEET), many of whom are young and/or Māori. The regions with the highest NEET proportions across their region or in key communities are Te Taitokerau /

Northland, Bay of Plenty (particularly the Eastern Bay of Plenty), Tairāwhiti / East Coast, Manawatū/Whanganui and Hawkes Bay (especially Wairoa and Flaxmere).

The patterns over the last decade in the Eastern Bay of Plenty community of Kawerau, for example, show that on average 31.6% of young people between the ages of 16-24 are NEET, and a high proportion of them are Māori. Yet there are jobs in Kawerau, with significant job growth forecast in the near term, particularly through the PGF investment in the area.

A number of regions and industry sectors within them face constraints on economic growth because they are unable to find employees at all skill levels from regional and national labour markets. This discourages both increased investment by firms operating in these areas and firms from outside the regions considering opening new businesses.

Gaps and Opportunities

System-level change at the regional level is required to increase local employment, enable more inclusive growth, and lower rates of young people who are NEET. An effective local employment system is required to support individual people who need more help than can currently be provided by the system. This would support some local people to progress through skills and jobs, with relevant support available until achieving sustained employment.

Government sources of funding for employment-related initiatives already exist. The PGF will contribute to targeted programmes of investment that provide additionality over and above existing commitments where this will improve productivity in the regions. It will also support the coordination of the various initiatives to maximise the opportunities.

PGF investment principles

The PGF investment in skills is consistent with the Government's economic strategy to build a productive, sustainable and inclusive economy.

The following principles will apply to investments made through the PGF to enhance workforce capability:

- focus on supporting local people into local employment opportunities by addressing the specific needs of those who need more help than can be provided currently in order to achieve sustainable employment
- ensure additionality by only deploying investments where existing departmental funding for workforce initiatives cannot be used to support proposals that build or strengthen mechanisms for local coordination of employers, employees, education and training organisations and government that will endure beyond the life of the PGF
- build or strengthen mechanisms for coordination of employers, workers and government that will endure past the lifetime of the PGF
- reinforce investment in PGF Tier 2 (sector investments) and PGF Tier 3 (enabling infrastructure) projects. This includes specific requirements within PGF Tier 2 and Tier 3 contracts to work across surge regions to support

their workforce requirements and to build work readiness and other skills amongst local people.

PGF investment approach

The PGF's investment in improving regional employment outcomes, including lifting skills and capability, will be cross-cutting and provide funding for projects that education, welfare and social agencies are not able to fund directly.

Services and programmes for five surge regions - \$60 million

The investment proposal targets the proposed funding to five of the six surge regions: Te Tai Tokerau Northland, Bay of Plenty, Tairāwhiti / East Coast, Hawkes Bay, and Manawatū-Whanganui.

It is proposed that \$12 million is nominally allocated to each of the five surge regions to enable delivery of programmes designed to improve their employment outcomes. These five surge regions will be supported to develop Regional Employment Investment Portfolios based on their opportunities and challenges in developing and connecting their potential workers with available jobs. The portfolios could include identification of sunset industries where workers may need to be transitioned into other opportunities, and outline existing support programmes and services provided by other agencies such as the Ministries of Social Development, Youth, Te Puni Kōkiri (TPK), Education and the Tertiary Education Commission.

On the basis of the gaps and opportunities highlighted in the respective regions, it is proposed that the \$12 million could fund the following:

- services and programmes that support people in the region to become ready for the jobs in their area, and who need more support than existing departmental allocations can provide. The funding will also support businesses to employ local people into sustainable work that they may not yet be fully productive in (approximately \$10 million).
- integrating the public employment support system through implementing hub spaces for employers and prospective and current workers to connect, and identify how they can enter into sustained employment relationships for (approximately \$2 million).

Funding for non-surge regions - \$20 million

An additional \$20 million is proposed to meet the needs of communities and districts outside the five surge regions that face similar employment challenges. This follows the place-based approach outlined above.

Departmental resourcing

Commercial Information



Process and governance

Applications for funding will be assessed against existing PGF criteria as well as specific employment and skills related criteria that are under development. These are informed by the He Poutama Rangatahi approach and experience.¹ To ensure applications reflect regional priorities and could not be funded by existing agency funds, regional government groups will review proposals and make recommendations to decision-makers.

A governance group of Deputy Chief Executives from Treasury, Ministry of Social Development, TPK, Education, and the Tertiary Education Commission will be established to drive cross-agency collaboration and implementation, and consider any ongoing resourcing requirements beyond the life of the PGF. Other agencies may be invited on a needs basis (for example, Ministry for Primary Industries or Department of Corrections). The potential for existing governance groups, for example the Sector Workforce Engagement Programme (SWEP) Governance Group, may be utilised to provide oversight before any new group is established.

Implementation

Developing regional employment investment portfolio

Regional Employment Investment Portfolios for each of the five surge regions will be quickly established. These are to capture the state of the local labour market, the existing services, programmes and initiatives that support this to function effectively, and to identify the gaps in the regional system that need to be prioritised if local people are to benefit from the PGF's investment in job creation. They will have an initial focus on leveraging government investment to the greatest effect.

The five focus regions will be supported to develop their Regional Employment Investment Portfolio prior to the Cabinet report back in February 2019. Work has already commenced to begin implementing the approach agreed by Cabinet, with workshops held in the Bay of Plenty, Te Tai Tokerau Northland and Tairāwhiti / East Coast already, and planned for Hawke's Bay and Manawatū-Whanganui before the end of November.

In parallel, investment-ready or near-ready proposals received through the PGF and through He Poutama Rangatahi are being progressed. Alongside this, assistance to facilitate and develop funding proposals that address gaps in local employment support, as identified through the region's employment investment portfolio, will be provided by the PDU with contributions from other agencies as required. This approach will ensure that proposals will have the best chance of leading to impactful projects.

¹ He Poutama Rangatahi is a trial programme targeting support to NEET rangatahi to connect with employment, underway in the four regions with the highest NEET rates. These are Northland, (Eastern) Bay of Plenty, Te Tairāwhiti and Hawke's Bay.

Integrated investment package - Manawatū-Whanganui

An integrated PGF investment package for Manawatū-Whanganui has been developed and is expected to be announced in November. The employment and skills component of this package consists of two proposals outlined below.

An employment and skills hub. The hub brings together local supply and demand pipelines and support local communities to connect to local jobs. People and businesses would be able to access the full range of government employment support services, including access to work readiness courses and training opportunities. Access to industry sectors and pastoral support for those wanting to get onto the pathway to employment, upskill current workers or needing assistance to integrate new workers into their labour force will also be a focus of the hub. The funding for the scoping of the hub has been approved as part of the Construction Skills Action Plan. Work is underway to develop the hub and it is expected to be operational by the end of December 2018.

The National Driver Training Centre

The Manfeild Park Charitable Trust has sought funding from the PGF for a National Driver Training Centre. The application will be considered by RED Ministers on 5 November 2018. This proposal aligns with a wider range of other initiatives in the region, including:

- Land transport initiatives such as the Manawatū Gorge Rd Project, Ring Rd and the Commercial Rail Hub.
- Employment and skills initiatives including the Hub and Talent Central, a Driver license and employment skills for school students.

The Centre will ensure a coordinated approach across the region and enable locals to access a wide range of employment linked training opportunities in machine operation, heavy truck and class 1 driver licenses.

Progressing applications

An assessment of the 41 proposals related to skills and employment in the current PGF pipeline, or lodged for consideration for He Poutama Rangatahi funding, has been undertaken. Of these proposals:

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Investment proposals will be presented to RED Ministers at the December 2018 meeting. These will be integrated into upcoming regional packages for Hawke's Bay in late 2018, Northland in 2019 and other regional packages as they are developed.