



IMPROVING EMPLOYMENT OUTCOMES THROUGH THE PGF

Purpose

The purpose of this paper is to outline a suggested approach to achieve a step-change in sustained local employment outcomes, leveraging the Provincial Growth Fund (PGF), including allocating a portion of the PGF to drive this approach.

Summary

One of the PGF outcomes is to increase local employment, education and/or training opportunities particularly for youth and Māori. The PGF can act as a catalyst to:

- better match and develop the supply of labour with the demand for skills
- develop more and enhance existing strategic partnerships with industry to help New Zealanders to move into sustained employment
- invest in the skills and capability of people in the regions to improve career prospects.

The **attached A3** summarises the opportunities to improve local labour market outcomes utilising the PGF.

To leverage the PGF and create sustained local employment opportunities, three workstreams are underway.

1. Develop guiding principles to assess PGF applications and support an integrated workforce development approach. This work is due to be completed by the end of August 2018.
2. Allocate a portion of the PGF to power-up Government's approach to training and development, targeting surge regions such as Eastern Bay of Plenty, Tairāwhiti and Manawatū-Whanganui. This would include building digital capability in the regions and leveraging the employment and career opportunities associated with the One Billion Trees Programme. A discussion with Ministers is recommended to determine an appropriate portion that could be allocated. Work is underway to develop a set of proposals by October 2018.
3. Better alignment of the education, immigration, and welfare systems to improve employment outcomes. This work will occur over the next 18 months to two years.

Work underway

1. Guiding principles to support an integrated workforce development approach as part of the PGF – under development

A number of PGF applications are seeking funding specifically for training and development and other applications have a training and development component. Guiding principles have been developed to increase the skills and employment lens to PGF applications to focus on:



- Support for providers on the supply side; this could include tailored pastoral care matched to the specific needs of individuals so that they are 'work ready'.
- Greater coordination of employers on the demand side to support them to plan their work force needs over the near to long-term.
- Explicitly match supply and demand, by 'looking local' first.

Draft principles are set out in **Appendix One**.

2. Powering up Government's approach to training and development -- by October

To improve outcomes for the people most at risk and leverage the PGF, government needs to work with industry and employers. A number of engagements and partnerships exist at a national, regional and local level with employers and industries to understand their workforce needs or upskill New Zealanders to prepare for, secure and sustained employment.

Place based leadership led from the regions supported by the centre is a key aspect of ensuring greater coordination between government agencies, employers and sectors. Utilising the SRO model will also contribute to coordinating government's approach to improve employment outcomes.

A portion of the PGF could be allocated to use training and development to improve employment outcomes. Work is currently underway to develop a fair allocation of the PGF and report back to RED Ministers in September. Greater investment would signal government's commitment to improving employment outcomes for New Zealanders and supporting businesses to secure the labour they need over the short and long-term.

Utilising existing initiatives

The approach taken by *He Poutama Rangatahi (HPR)* and *Sector Workforce Engagement Plan (SWEPP)* could be powered-up through the PGF to enable local supply and demand matching. The crucial aspects of these initiatives include coordination, flexible and agile resourcing around a place-based approach to facilitate employment for locals.

Hubs have successfully facilitated a collective effort across government and with local employers to identify their labour force needs. Surge regions, such as Tairāwhiti, Eastern Bay of Plenty and Manawatū-Whanganui could be targeted for a place-based hub function to support skills and employment opportunities for sectors and PGF investments. PGF funding could be used to establish these hubs and better enable the regional coordination required.

Other investment opportunities include programmes to overcome practical barriers to employment such as lack of transport and low levels of drivers licences. This work could commence in Kaikohe or Murapara immediately. Gaining a clearer understanding of the jobs that are available and what being 'work ready' means for these jobs would also form part of this work.



Prototyping new approaches to address skills or labour gaps

PGF investments can also create broader opportunities to build the skills and capacity of people in the regions. The investment in digital enablement to enhance connectivity and grow the digital capabilities of people and businesses is one example. Through the PGF there is the opportunity to provide greater support to people in the regions develop new capabilities based on digital technologies. This would also support the transition for workers whose jobs have been or are expected to be impacted by technological or other change.

3. Aligning the education, immigration and welfare systems over the next 18 months

The Government's three major levers relating to the supply of skills and labour are through the education, immigration, and welfare systems. Ensuring that these systems are working well together is key to supporting New Zealanders to develop skills and access employment opportunities, and firms to access the skills and labour they need.

Work is underway to better align these systems to better match supply and demand over the long-term. Through the work of the PGF there is the opportunity to influence these reviews and improve outcomes for the regions, particularly through powering up existing initiatives and identifying new approaches as outlined above.

Next steps

It is recommended that RED Ministers:

1. **Authorise** the suggested approach to better leverage the PGF to improve sustained employment outcomes, including allocating a portion of the PGF to power up existing initiatives and identify new approaches to address skills or labour gaps;
2. **Discuss** the portion of the PGF that could be allocated to leveraging training and development opportunities;
3. **Note** that work is currently underway to develop a fair allocation model of the PGF and report back to RED Ministers in September;
4. **Direct** officials to develop a proposal that seeks to allocate a portion of the PGF targeted at powering up investment in training and development opportunities and better match local supply and demand;
5. **Direct** officials to develop the following proposals by October 2018.

Commercial Information



Appendix One – Guiding principles for skills and employment related PGF applications

	Guiding principles
Employment outcomes	<ul style="list-style-type: none"> • How does the project demonstrate it is a catalyst for significant growth in regional employment? • Does the investment proposal align with community or sector-led goals? • How will the project lead to sustained employment outcomes for local people?
Demand	<ul style="list-style-type: none"> • Does the investment proposal relate to any existing sector workforce engagement programme initiatives? • Does the proposal outline how local employers will be engaged and how?
Supply	<ul style="list-style-type: none"> • Are local people 'work ready' for the employment opportunities the project creates? • How will the project support training and development of local labour required to support the proposal? • What support can key stakeholders provide to build capability in the region?
Coordination	<ul style="list-style-type: none"> • What mechanisms exist in the region to enable coordination between employers, labour and across government? • Is a coordination role required? • Who is best placed to perform this role, government or the private sector?
Training and development	<ul style="list-style-type: none"> • What other government funds or training programmes or initiative could be utilised to support training and development? • Is there a training and development gap where the PGF can add value?

Leveraging the PGF to improve local labour market outcomes

Opportunity

The PGF can be leveraged, alongside existing funding, to enable job creation across regions and to invest in those who require even more than is currently available to sustain them in work. The PGF can provide the additional coordination, focus and investment required to balance the scales.

Government Outcomes

- ✓ Address concentrations of high unemployment and underemployment.
- ✓ Reduce use of unskilled migrant labour where locals can be employed.
- ✓ Getting New Zealanders into work first - sustained career pathways.
- ✓ Making it easier for local businesses to interact with government.

Community-level Impact

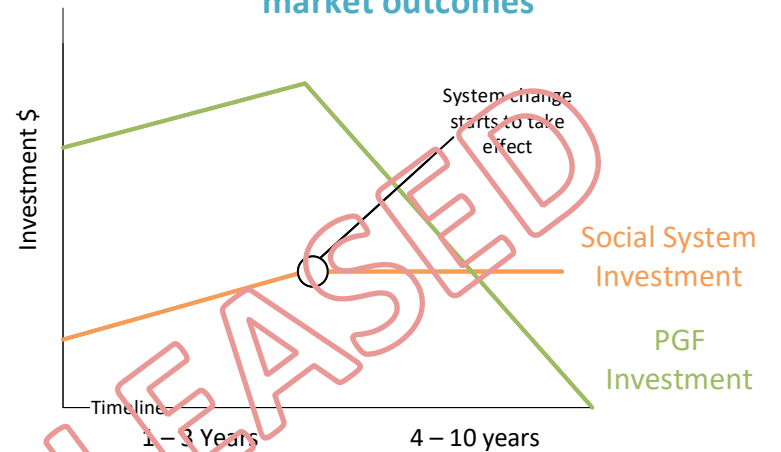
In Northland, a group of agencies came together recognising the collective impact they can have in communities, with positive local employment outcomes as a result.

This joined up approach can be leveraged for better outcomes across multiple regions.

Opportunity to adopt this in a place like Murupara:

- Work with school, community, whānau and providers to identify how many people in Murupara need “even more” than system can currently provide.
- Work with employers in the town and broader area that have jobs to connect with locals.
- Coordinate matching between the two. Including, how to address mobility and access to support that connection.

Anticipated investment in local labour market outcomes



What does it look like?

Makes it easier for everyone to achieve their outcomes.

- Easier for local employers to access local people with the right skills and attitude, when they need it.
- Easier for person looking for work to get training or support they need to get into sustained work.
- Easier for providers and agencies because they have a plan and agreed approach about how and what they are going to achieve by when.

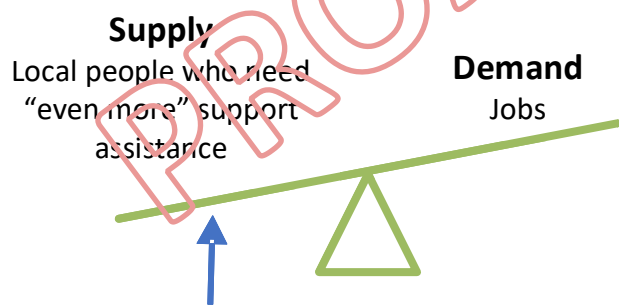
What could you do?

1. Authorise prioritising PGF investment in local labour market outcomes. This requires senior and regional officials to work together, with direction through a Ministerial alliance.

NB: This could be a sub-group of RED and Future of Work Ministers.

2. Allocate a portion of the PGF to power-up Government’s approach to training and development, targeting surge regions, to send a clear signal that the PGF is prioritising improving local employment outcomes.

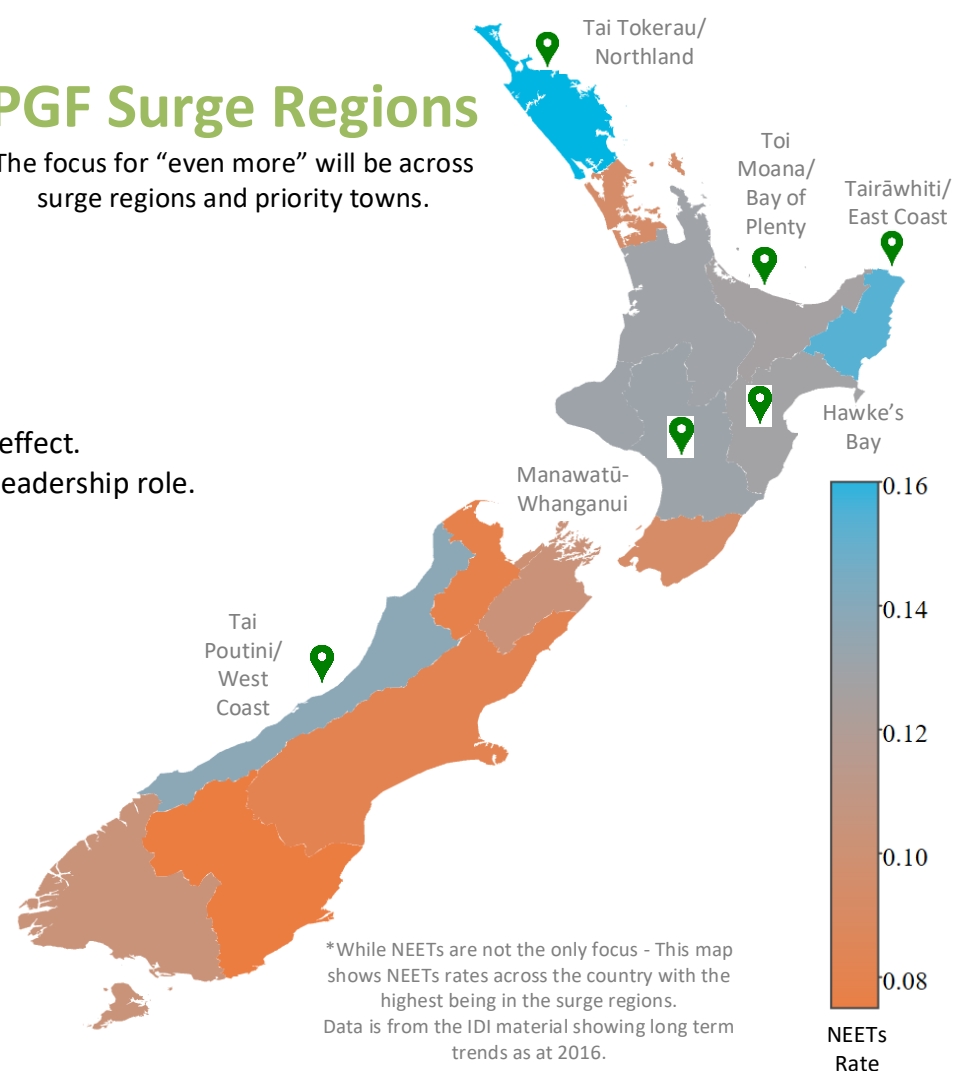
Balancing the Scales



Joint government investment in local labour market outcomes

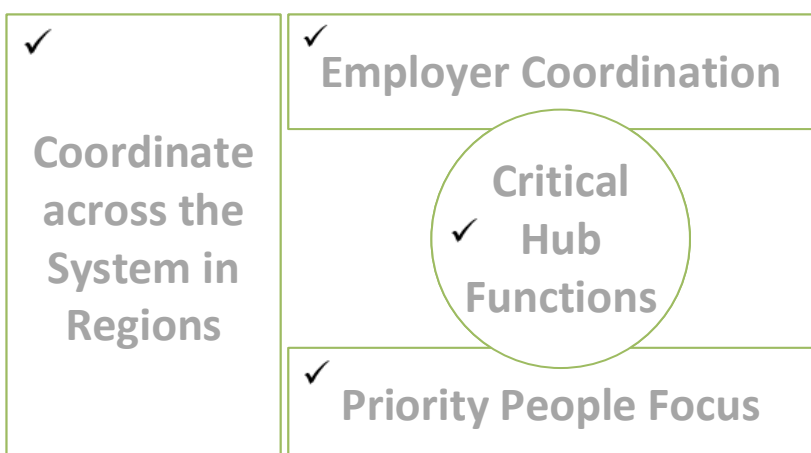
PGF Surge Regions

The focus for “even more” will be across surge regions and priority towns.



PGF “Additionality”

- ✓ Support providers on supply side where existing funding has restrictions.
- ✓ Coordination of employers on the demand side.
- ✓ Explicit matching between the supply and demand to utilise people resources to best effect.
- ✓ Coordination across the system to enable the above - SROs have a cross-government leadership role.



*While NEETs are not the only focus - This map shows NEETs rates across the country with the highest being in the surge regions. Data is from the IDI material showing long term trends as at 2016.