

In Confidence

Office of the Minister for Building and Construction

Chair, Cabinet Economic Development Committee

Paper A: Action Plan to deliver the Construction Skills Strategy

Proposal

- 1 On 23 May 2018, the Cabinet Economic Development Committee agreed that targeted stakeholder consultation be undertaken with the construction sector on the draft Construction Skills Action Plan (Action Plan) and invited me to report back to the Committee seeking agreement to the finalised Action Plan [DEV-18-MIN-0094].
- 2 Agencies have now completed sector consultation. This paper seeks agreement to the final Action Plan and the initiatives that comprise it. It is supported by a suite of papers that provide the details on four of the six priority initiatives:
 - 2.1 Paper A: Action Plan to Deliver the Construction Skills Strategy (this paper);
 - 2.1 Paper B: Leverage Government Procurement;
 - 2.2 Paper C: Establish Additional Jobs and Skills Hubs;
 - 2.3 Paper D: Growing Construction Careers and Credentials; and
 - 2.4 Paper E: Expand Skills for Industry.
- 3 The following two initiatives proposed to be included in the Action Plan have previously been considered by Cabinet:
 - 3.1 Mana in Mahi – Strength in Work [SWC-18-MIN-0084]; and
 - 3.2 Immigration Settings [DEV-18-MIN-0090].

Executive Summary

- 4 Lifting the capacity and capability of the construction workforce is a priority for the Government and key to the achievement of the Government's goals for KiwiBuild, health, education, transport and regional development.
- 5 It is critical that the Government shows leadership in addressing the skills shortages in the sector. We need to act now. If we don't, these shortages will increase the cost, and risk the delivery, of New Zealand's construction pipeline.
- 6 No one agency or Minister holds all of the policy levers to successfully address this issue. Collective action and commitment across Government agencies is required to

help the sector address its capacity and capability issues. That is why I directed officials to develop this Action Plan.

- 7 Officials have engaged with a wide range of sector representatives across New Zealand on the draft Action Plan, including employers, training providers, councils, procurers, developers and industry bodies. The sector welcomed the leadership Government is showing on this issue and supports the Action Plan and its focus on Government and sector collaboration.
- 8 The sector is very positive about the leveraging Government procurement initiative. It is seen as having the biggest impact and the greatest potential to stimulate construction skills training. Jobs and Skills Hubs and the promotion of Group Training Schemes are seen as valuable tools for connecting new entrants with real jobs and training. The sector appreciates the subsidies provided by Mana in Mahi – Strength in Work, but considers that a subsidy for all apprentices, not just those that had previously been in receipt of a benefit, would be more effective.
- 9 The sector did not identify a ‘game-changer’ that was missing from the draft Action Plan. It identified the main gap as coordinated promotion of careers and in-work training and development (at all levels). To address this feedback, the scope of the ‘Promote Group Training Schemes’ initiative has been widened to include coordination of the promotion of construction careers and micro-credentials.
- 10 The Ministerial Group on the Construction Workforce (MCW) supports these amendments. It also requested that the immigration settings to support KiwiBuild are included in the Action Plan.
- 11 The MCW will monitor the implementation and effectiveness of the Action Plan. Collectively, I expect it will result in up to 4,000 more people pursuing construction-related careers and qualifications (including apprenticeships) in the next three years. Changes to immigration settings to support KiwiBuild will provide short term access to skilled workers, while in the medium to long term New Zealand develops a sustainable, skilled construction workforce.
- 12 This is a mobilising Action Plan and is phase one. As building methods evolve and new technology is introduced, the skills requirements of the sector will change. There will be further iterations of the Action Plan that focus on the capabilities that will be required as the sector, and construction methods, transform.

Action is needed to improve the performance of this priority sector

- 13 In March 2018 there were 247,000 people employed in the construction industry¹. In the year ending March 2017 construction contributed \$14.94 billion, or 6.1 per cent, to the Gross Domestic Product (GDP)².
- 14 The construction sector is key to the Government’s goals for KiwiBuild, transport, infrastructure (including health and education), and regional development. It is however facing constraints. The construction workforce does not have the capacity to deliver New Zealand’s growing pipeline of construction projects.

¹ ‘Construction industry’ is defined under the Australia New Zealand Standard Industrial Classification (ANZSIC) 2006.

² Based on the March 2017 GDP annual values, actual chain-volume series expressed in 2009/2010 prices.

- 15 Increasing demand for new housing and infrastructure has exposed shortfalls across all skills levels in construction. Based on traditional construction methods, occupations that are expected to experience the largest growth in demand for employment from 2016 to 2022 include trades such as plumbers (15 per cent growth), electricians (14 per cent), project builders (12 per cent), and professional occupations such as civil engineers and construction project managers (both 12 per cent) respectively.
- 16 There are characteristics of the construction sector that directly impact the capacity and capability of the sector's workforce. Historically, the main challenge has been how the sector manages through the economic cycle. In the past the sector has experienced more pronounced 'booms and busts' than other industries³. This cycle appears to be easing, with the 2018 National Construction Pipeline Report forecasting sustained growth for the sector. The historical boom/bust cycle has contributed to:
- 16.1 uncertainty regarding the future demand for work, which means the sector values being able to shed and hire workers to meet demand and relies on labour hire and sub-contracting;
 - 16.2 limited workforce development and long-term investment in training; and
 - 16.3 reports from the industry of negative perceptions of construction as a stable career.
- 17 Other issues that affect the construction workforce include:
- 17.1 avoiding risk appears to be a primary driver of construction firm behaviour, including an aversion by many firms to workforce development; and
 - 17.2 high fragmentation across the industry. The residential building market is dominated by small firms working on small-scale projects and extensive subcontracting arrangements.
- 18 These challenges contribute to low productivity and labour shortages across all skill levels. Employers often report that they are not getting the skills they need, at the wages they are willing to pay⁴.
- 19 My building and construction work programme is working on these significant issues, including addressing the impact that risk and liability avoidance is having on the sector. In order to address the capacity and capability gap in the sector, I established the MCW to oversee the development of a Construction Skills Strategy (the Strategy) and draft Action Plan. The vision of the Strategy is that Government collaborates with industry to drive a rapid and sustainable shift that delivers the right people, at the right time, with the right skills, to meet New Zealand's current and future construction needs.

³ PriceWaterhouseCoopers report, *Valuing the role of construction in the New Zealand economy*, September 2016.

⁴ In the 2016 Statistics New Zealand Business Operations Survey, 58 per cent of construction businesses reported that they had hard to fill vacancies.

- 20 The draft Action Plan originally comprised five Government-led priority initiatives. These represented both a mix of new programmes, and expansion of existing programmes, to address gaps relating to the supply of labour and the sector's approach to recruitment and development.

Consultation with construction sector stakeholders is now complete

- 21 The draft Action Plan was Government's view of what was required, but Government cannot address this issue alone. Sector feedback was sought to test the practicality of the initiatives within the draft Action Plan and their implementation, and to identify any unintended consequences or barriers to success.
- 22 I met with key members of the Building Advisory Panel (a statutory body established under the Building Act 2004, comprising sector leaders, that has responsibility for providing strategic advice to the Ministry of Business, Innovation and Employment (MBIE) on the building system) and the Chief Executive of the Building and Construction Industry Training Organisation.
- 23 Over 450 sector representatives, including employers (small, medium and large), training providers, councils, procurers, developers and industry bodies were invited to workshops held in Auckland, Christchurch and Wellington. These were highly interactive sessions with participants working through the draft Action Plan and providing feedback. Participants were also asked to identify gaps in the draft Action Plan, areas of focus for the future and areas where the sector can take a lead on addressing the skills gap. A series of interviews were also undertaken with key sector stakeholders.

Sector feedback was broadly supportive of the draft Action Plan; specific feedback on individual initiatives has been considered and addressed

- 24 Stakeholders welcomed the Government's recognition of the skills shortages the sector is facing. There was strong support for the vision of the Strategy and the collaborative nature of the draft Action Plan, and the sector welcomed being consulted with and engaged on this work. A summary of sector feedback is provided at Annex One. Key themes from the consultation were:
- 24.1 the Leverage Government Procurement initiative had strong support across the sector. It was considered to have the greatest potential to stimulate an increase in construction skills training and development, and the sector appreciated how it could link with other initiatives in the draft Action Plan;
 - 24.2 the establishment of additional Sector Workforce Engagement Programme (SWEP) Jobs and Skills Hubs was seen as valuable for connecting potential entrants to the sector with real jobs and training;
 - 24.3 employers familiar with Group Training Schemes (GTS) valued the role of GTS in managing the training and administration associated with an apprentice, but the services and support provided by GTS is not widely known and understood across the sector;

- 24.4 wage subsidies for apprentices were broadly supported, but the sector felt these should be available for all apprentices, not just those in receipt of a benefit; and
- 24.5 that using immigration as a short-term tool to address the construction skills shortage could apply more broadly than to just KiwiBuild.

- 25 Specific feedback on individual initiatives will be considered by the agencies when finalising the details and implementation of the initiatives. Stakeholder feedback has also influenced the design of the final initiatives in the Action Plan. For example, in response to sector feedback, the Leverage Government Procurement initiative allows for flexibility in the way suppliers meet training requirements.
- 26 Full details of how sector feedback has been considered and addressed for each of the priority initiatives are provided in the suite of papers accompanying this paper.

Officials have refined the initiatives in the Action Plan; they will be implemented over the next 18 months

- 27 Officials have incorporated feedback from the sector and the MCW. They have continued to refine the details of the priority initiatives, including quantifying the impact on the workforce, costs and how they will be met, and timeframes for implementation.
- 28 The full details of the four priority Action Plan initiatives not previously considered by Cabinet are contained in the suite of papers accompanying this cover paper. One-page summaries for all six of the priority initiatives are provided at Annex Two. The priority initiatives are:

Growing a sustainable New Zealand workforce

28.1 **Paper B: Leverage Government Procurement:** Government procurement of construction and infrastructure projects will be used to incentivise firms to invest in skills training and development. Based on sector feedback on how best to implement this, s 9(2)(f)(iv)

[Redacted text block]

28.2 **Paper C: Establish Additional Jobs and Skills Hubs:** SWEP will commence work to establish two additional Jobs and Skills Hubs in Auckland, with the intention to have these operational by June 2019. Each additional Hub would target 200 placements into work per year, 1,500 training instances, and 30 young people supported into apprenticeships. SWEP will also start initial work scoping a regionally based Hub in the Manawatū/Whanganui region to service a range of projects, including construction. s 9(2)(f)(iv)

[Redacted text block]

A cross-agency group will be established to review Hub functions, resourcing

and governance. § 9(2)(f)(iv)
[Redacted]

§ 9(2)(f)(iv)
[Redacted]

28.3 **Paper D: Growing Construction Careers and Credentials:** This initiative has been substantially amended following consultation. Along with helping Group Training Schemes to extend their promotional reach and impact, the Tertiary Education Commission will establish a cross-sector steering group to coordinate the promotion of construction careers. This work will include compiling existing information on careers from across the sector and relevant agencies and identifying gaps (for example, targeting specific demographics, the role of technology, perceptions and barriers). The initiative will also support the construction sector to explore and develop relevant micro-credentials that will improve workforce capability and opportunities for skills development. This initiative will leverage and align resources from across the construction sector, tertiary education organisations and government agencies.

§ 9(2)(f)(iv)
[Redacted]

28.4 **Paper E: Expand Skills for Industry:** The Ministry of Social Development (MSD) is investing an additional § 9(2)(b)(ii) on national construction pre-employment and in-work training programmes in 2018/19. MSD expects this will lead to 150 additional Skills for Industry places in the construction sector in this financial year (up 13 per cent on the previous year). § 9(2)(f)(iv)

[Redacted]

28.5 **Mana in Mahi – Strength in Work:** Cabinet has agreed to Phase One of the programme, which was considered by the Cabinet Social Wellbeing Committee on 25 July 2018 [SWC-18-MIN-0084].

Mana in Mahi – Strength in Work will pay a wage subsidy to employers in a range of industry sectors (not just construction) who are willing to hire a person in receipt of a main benefit, and offer that person an industry training qualification, including apprenticeships. The wage subsidy would be equivalent to the annual Jobseeker Support rate (approximately \$9,750).

Phase One (2018/19) will be a prototype programme to test aspects of Mana

in Mahi – Strength in Work. Full implementation will take place in Phase Two

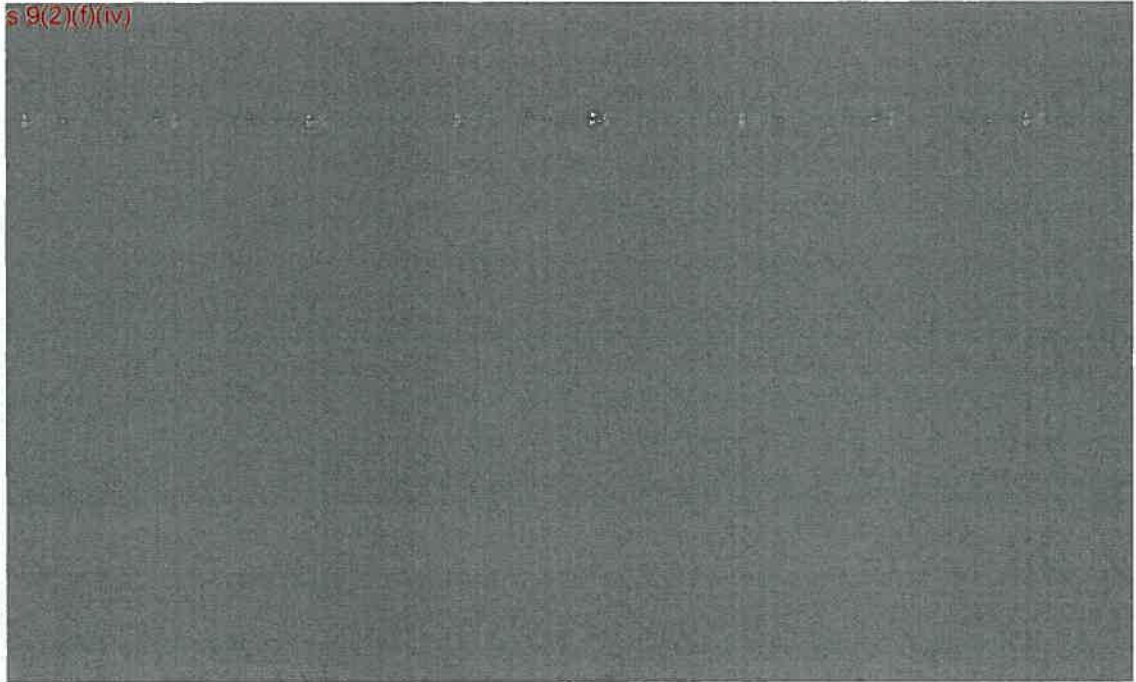
s 9(2)(f)(iv)

Addressing short-term skills gaps

28.6 **Immigration settings:** On 23 May 2018, the Cabinet Economic Development Committee agreed to consult on a package of changes to immigration settings [DEV-18-MIN-0090]. This includes: establishing a new KiwiBuild Skills Shortage List to expedite the visa approvals process to fill specific roles; an employer accreditation or alternative pre-approval model to enable good construction sector employers to recruit overseas; and, specific requirements for labour hire companies to manage the risk of migrant exploitation.

Feedback from the MCW was that immigration settings to support KiwiBuild should be included in the Action Plan.

s 9(2)(f)(iv)



The package of initiatives will encourage more people into construction careers and increase business investment in training and development

29 The six priority initiatives in this Action Plan create a complementary package and are intended to work together to increase the profile of the sector, the number of people entering it, and business investment in training and development. For example:

29.1 changes to Government procurement rules will incentivise firms to commit to taking on new apprentices and training existing staff;

⁵ Before granting an Essential Skills work visa, Immigration New Zealand conducts a 'labour market test'. The Immigration Officer must be satisfied that the employer has made a genuine attempt to attract and recruit New Zealand citizens or residence class visa holders and that there are no New Zealanders available.

- 29.2 Growing Construction Careers and Credentials and the Jobs and Skills Hubs will encourage more people to consider a career in construction, and link employers to the support available through other initiatives;
- 29.3 a construction firm seeking to bid on a Government infrastructure project could use its participation in a GTS, Skills for Industry or Mana in Mahi – Strength in Work as evidence of its commitment to training and development.
- 30 Collectively, I expect the initiatives (excluding Immigration Settings) will result in up to 4,000 more people pursuing construction-related careers and qualifications (including apprenticeships) in the next three years, made up of:
- 30.1 an additional 1,500 people receiving training while working on Government construction and infrastructure projects;
- 30.2 an additional 60 young people supported into apprenticeships through two new Jobs and Skills Hubs;
- 30.3 up to 2,300 more people enrolled in construction-related education and training through Growing Construction Careers and Credentials;
- 30.4 s 9(2)(f)(iv)
- 30.5 10 construction sector placements which have been committed for the Phase One prototype programme of Mana in Mahi – Strength in Work.
- 31 These figures are indicative at this stage and based on the high-level design of each initiative. Following detailed design and implementation of the initiatives, the reporting framework will be established. I will then update the MCW with further information on the expected collective impact of the Action Plan.
- 32 Further information on the initiatives and how they work together as a package is provided at Annex Three.
- 33 Further information on other Government initiatives that also support the construction sector but are not included in the Action Plan is provided at Annex Four.

Stakeholders identified some issues not covered in the draft Action Plan

- 34 It is clear from sector consultation that there is not an easy solution to address the capacity and capability issues in the sector. Nor is there a 'game changer' initiative that is missing from the Action Plan.
- 35 The sector identified coordinated promotion of the range of construction career opportunities as the main gap in the Action Plan. There was clear feedback that the Government should take a more active role in promoting career opportunities in the sector. The sector also provided feedback on the benefits of micro-credentials. To address this feedback, the proposed scope of the 'Promote Group Training Schemes' initiative has been widened. It now incorporates coordination of the promotion of construction careers, GTS, the business benefits of investment in training and development. It will also focus on supporting the construction sector to

explore and develop relevant micro-credentials that will improve workforce capability and opportunities for skills development.

36 There was consistent feedback from employers and training providers that the cost of an apprenticeship was a barrier to people undertaking one. In particular, sector feedback identified issues with the criteria for fees-free and student loans and allowances because:

36.1 employees undertaking formal trades training, such as apprenticeships, are not eligible for student loans and allowances; and

36.2 many apprentices are also not eligible for fees-free as they are typically older when they commence their apprenticeship (around 24-25) and are “second chancers”, having previously attempted or completed some tertiary study.

37 s 9(2)(f)(iv) [Redacted text block]

38 s 9(2)(f)(iv) [Redacted text block]

39 The rate of the training minimum wage, and its level of use by employers in the sector, was identified as a further disincentive for people to commit to completing an apprenticeship. An example was given of labourers earning \$24 an hour not willing to take a pay cut to do an apprenticeship (where they could be paid \$13.20 an hour).

40 The rate is reviewed annually by the Minister for Workplace Relations and Safety, along with the adult minimum wage and the starting-out wage. The training minimum wage can be set below the adult minimum wage to provide an incentive for employers to take on low-skilled workers and train them. Feedback from the construction sector has been shared with MBIE to ensure it is considered in the next review of minimum wage rates and in any other work to consider minimum wage policies in the future.

The sector is considering what it can do to address its capacity and capability issues

41 Government alone cannot solve this issue. The construction sector has a core responsibility to develop its workforce and its involvement is key to the success of the Action Plan. During consultation, the sector identified some ways it could address the capacity and capability issues. These included:

41.1 trade associations working closely with Jobs and Skills Hubs on schools outreach visits;

41.2 using Jobs and Skills Hubs as a centre for business to business mentoring services to help address financial and management capability issues; and

41.3 working with Government to help promote construction careers.

42 I am also aware of bespoke programmes designed and run by the sector to address capability and capacity issues. These include:

42.1 the Plumbers, Gasfitters and Drainlayers Board, which is currently designing a training approach for plumbing, working with Literacy Aotearoa on supporting training and certification for people with literacy issues, and identifying how to support apprentices with English as a second language; and

42.2 Engineering New Zealand's "The Wonder Project" which is designed to get school-aged children excited about science, technology, engineering and maths. It includes The Wonder Project Rocket Challenge – a rocket building project for students in years 5-8, and careers outreach for students in years 11-13.

43 I expect the sector to take a leadership role in promoting itself and addressing its skills shortages. I want to know what sector programmes are currently in place that address capacity and capability issues, and understand how Government can help support and leverage these. When I met with the Building Advisory Panel, they advised me that they could take a lead on work to make the sector a more attractive proposition for young people and those seeking a career change. I have directed MBIE to work with the Building Advisory Panel on this, and whether this could also include a stocktake of current sector programmes that address capacity and capability issues.

The Ministerial Group on the Construction Workforce will monitor the Action Plan and review progress

44 Monitoring will be required to measure the impact of the Action Plan. MBIE will coordinate reporting to the MCW, to enable it to monitor the progress of the Action Plan.

45 There will be a set of baseline measures for the construction workforce so that the overall impact of the Action Plan on the construction workforce can be measured. The lead agency for each of the six initiatives will also establish baseline measures and performance indicators so that the progress of each initiative can be tracked. Collection and reporting on ethnicity and gender data will be a requirement across all initiatives.

This is phase one and there will be further Action Plans

46 This is the first Action Plan and it is a mobilising Action Plan. Work is underway to better understand the future skills requirements of the construction sector. As these become clearer there will be further iterations of the Action Plan that align with and deliver the Strategy.

47 This Action Plan primarily focuses on capacity, and mobilising people to take up the opportunity of a career in the sector. The immediate focus is on implementing the Action Plan and agencies and the sector working together to ensure that the package of initiatives delivers the expected benefits. This will be monitored carefully

through regular reporting to the MCW. s 9(2)(f)(iv)

s 9(2)(f)(iv)

- 48 Subject to the outcomes of this first Action Plan, more targeted intervention may be required to increase the participation of currently underrepresented groups, such as women, Māori, Pasifika and disabled people, in the construction sector. Officials will consider these issues as they monitor the impact of the Action Plan.

Consultation

- 49 The Action Plan was jointly developed by the Ministry of Business, Innovation and Employment, Ministry of Social Development, and the Tertiary Education Commission.
- 50 The Ministry of Education, Ministry for Pacific Peoples, Ministry for Women, Te Puni Kōkiri, Treasury and the Department of the Prime Minister and Cabinet were consulted on this paper.

Financial Implications

- 51 s 9(2)(f)(iv)

- 52 The breakdown of costs and how they will be met is outlined in the table below:

Initiative	Cost	Funding source
Leverage Government procurement	s 9(2)(f)(iv) does not have any financial implications for the Crown. There may be additional costs for suppliers, and agencies will need to consider this when planning for new capital projects.	Implementation to be funded within baselines.

53 Further details on the financial implications are provided in the respective papers in this suite.

Human Rights

54 The package of initiatives under the Action Plan is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative Implications

55 The package of initiatives under the Action Plan does not have any legislative implications.

Regulatory Impact Analysis

56 There are no regulations associated with this proposal, therefore no regulatory impact analysis is required.

Gender Implications

57 The package of initiatives under the Action Plan has a focus on increasing the participation of underrepresented groups in the construction workforce, including women. Details are provided in the suite of papers accompanying this paper.

Disability Perspective

58 The detailed design process for the Action Plan initiatives will explore opportunities for increasing the participation of specific cohorts, including disabled people, in the construction workforce.

Publicity

59 If Cabinet agrees to the final Action Plan, I intend to issue a press release announcing the details.

Proactive Release

60 I intend to proactively release a copy of the suite of papers under the Official Information Act 1982, with appropriate redactions, at the same time I will issue a press release announcing the details of the Action Plan.

Recommendations

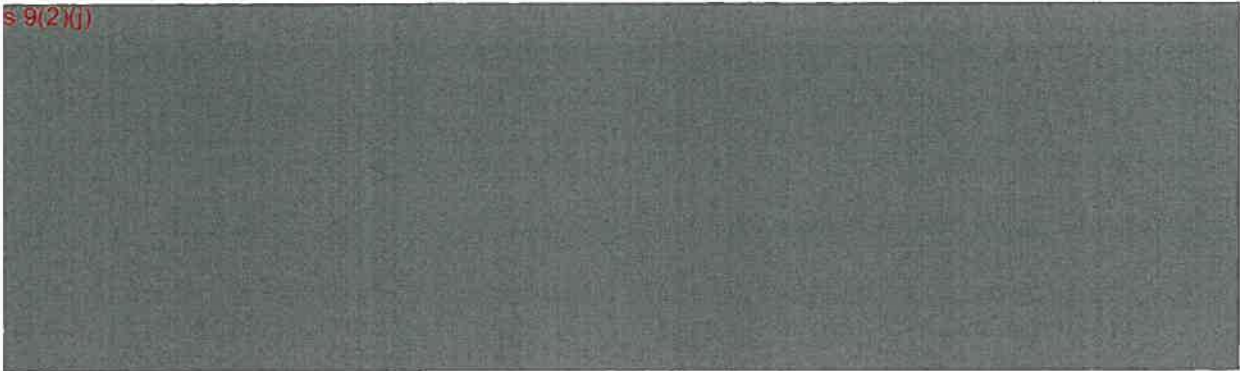
The Minister for Building and Construction recommends that the Committee:

- 1 **Note** that on 23 May 2018, the Cabinet Economic Development Committee:
 - 1.1 agreed that targeted consultation be undertaken with construction sector stakeholders to test the government-led initiatives in the draft Construction Skills Action Plan and the role of the sector in improving the capacity and capability of the construction workforce; and
 - 1.2 invited me to report back to the Cabinet Economic Development Committee to seek agreement to the finalised Construction Skills Action Plan [DEV-18-MIN-0094];
- 2 **Note** that a wide range of sector representatives have been consulted and feedback has been considered by agencies when finalising the details and implementation of the initiatives;
- 3 **Agree** the final Action Plan comprises the following priority initiatives:
 - 3.1 Leverage Government Procurement;
 - 3.2 Establish Additional Jobs and Skills Hubs;
 - 3.3 Growing Construction Careers and Credentials;
 - 3.4 Expand Skills for Industry;
 - 3.5 Mana in Mahi – Strength in Work; and
 - 3.6 Immigration Settings.

Leverage Government Procurement

- 4 **Agree** that government agencies be required to include skills development and training as a s 9(2)(f)(iv) construction and infrastructure projects;
- 5 **Note** the Ministry of Business, Innovation and Employment will provide best practice guidance to agencies on how they can incorporate these requirements into their procurements, including comparable metrics through which to evaluate training requirements;
- 6 s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
- 7 **Agree** that the changes to the Rules include a Rule giving effect to recommendation (4) above;
- 8 **Agree** that the proposed Rule should be flexible enough that it:

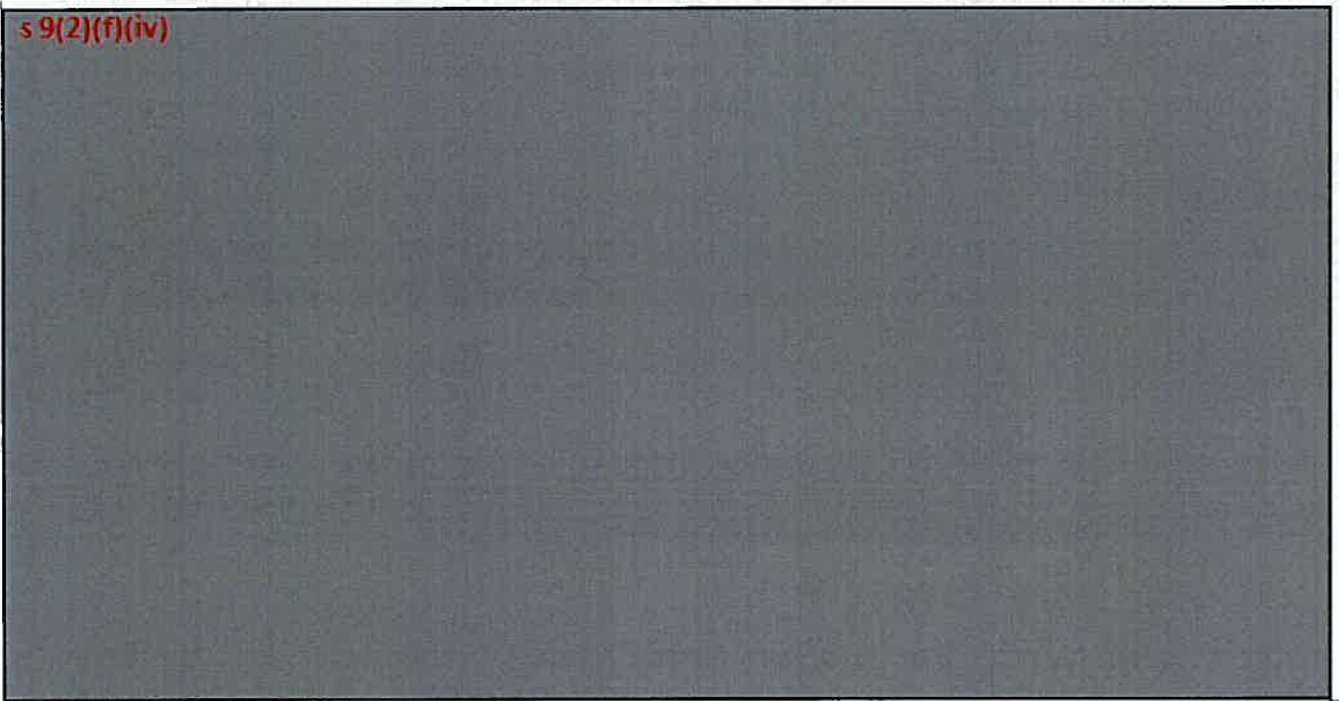
s 9(2)(j)



Establish Additional Jobs and Skills Hubs

- 9 **Agree** that the Sector Workforce Engagement Programme (SWEP) commence work to establish two additional Jobs and Skills Hubs in Auckland, with the intention to have these operational by June 2019;
- 10 **Note** that SWEP will start initial work scoping a regionally based Hub in the Manawatū/Whanganui region to service a range of projects, including construction, and will report back to the Minister for Employment on this by October 2018;

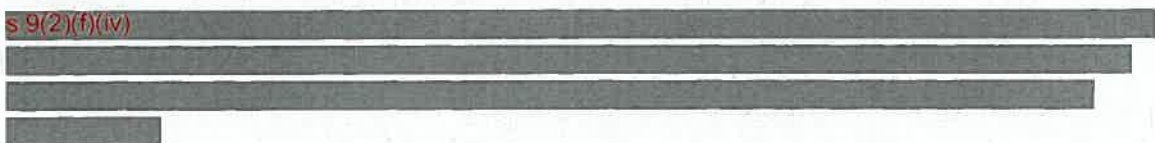
s 9(2)(f)(iv)



- 13 **Note** a cross-agency group will be established to review Jobs and Skills Hub functions, resourcing and governance s 9(2)(f)(iv)



- 14 s 9(2)(f)(iv)



15 § 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
[Redacted]

Growing Construction Careers and Credentials

16 **Note** that a coordinated approach to the promotion of the range of career opportunities available in the construction sector was identified as the main gap in the Action Plan;

17 **Agree** that the scope of the initiative previously referred to as “Promote Group Training Schemes” is widened to address the gap referred to in recommendation (16) by coordinating a more focused cross-sector approach to promoting construction careers and supporting the development of micro-credentials, in addition to promoting Group Training Schemes;

18 § 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

Expand Skills for Industry

19 **Note** that the Ministry of Social Development is investing an additional § 9(2)(b)(iii) on construction-related Skills for Industry national programmes and partnerships in 2018/19;

20 § 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

Mana in Mahi – Strength in Work

21 **Note** that Cabinet has agreed to progress Phase One of Mana in Mahi – Strength in Work in 2018/19, § 9(2)(f)(iv) [Redacted]
[Redacted]

Immigration Settings to Support KiwiBuild

22 **Note** that, on 23 May 2018, the Cabinet Economic Development Committee agreed to consult on a package of proposed changes to immigration settings to support the Government’s KiwiBuild Programme and promote growth in housing [DEV-18-MIN-0090];

23 **Agree** to include the proposed package of immigration changes to support KiwiBuild in the final Construction Skills Strategy Action Plan;

24 § 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

25 **Agree** to the Minister of Immigration s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]

26 **Invite** the Minister of Immigration to report back to the Ministerial Group on the Construction Workforce on:

s 9(2)(f)(iv) [redacted]

Impact on the workforce

27 **Note** that collectively (but excluding immigration settings), I expect the initiatives in the Action Plan will result in up to 4,000 more people pursuing construction-related careers and qualifications (including apprenticeships) in the next three years;

Issues raised by the sector not covered in the final Action Plan

28 **Note** there was consistent feedback from employers and training providers at all workshops that cost was a barrier to people considering an apprenticeship in the construction sector and that the eligibility criteria for fees free and student loans did not support apprenticeship uptake;

29 s 9(2)(f)(iv) [redacted]
[redacted]
[redacted]
[redacted]

30 **Note** sector feedback on the training minimum wage has been shared with the Ministry of Business, Innovation and Employment to ensure it is considered in the next review of minimum wage rates and in any other work to consider minimum wage policies in the future;

Publicity

31 **Agree** that the Minister for Building and Construction announce the details of the final Action Plan, subject to the Cabinet's agreement to the recommendations in this paper;

32 **Agree** to the suite of papers being proactively released, with redactions as appropriate, at the same time the Minister for Building and Construction announces the final details of the Action Plan.

Authorised for lodgement

Hon Jenny Salesa
Minister for Building and Construction

Annex One: Summary of construction sector feedback

Construction Skills Strategy Action Plan – Sector consultation summary						
Vision						
Government will COLLABORATE with the sector to drive a rapid and sustainable shift that delivers the RIGHT PEOPLE at the RIGHT TIME with the RIGHT SKILLS to meet New Zealand's current and future needs						
Right People		Right Time		Right skills		
<ul style="list-style-type: none"> Improve diversity across the construction workforce Increased awareness of the careers, transferable skills and opportunities the construction industry provides The construction industry better adapts to the changing nature of the work and expectations of the workforce 		<ul style="list-style-type: none"> The construction industry, Government, training providers and communities better understand the workforce capacity and skills needed now and in the future Construction pipeline forecasts are more effectively used by government, and the industry, to plan for short- and long-term workforce needs 		<ul style="list-style-type: none"> There are more diverse pathways to enter, develop and advance within the construction industry The education and training systems better deliver the skills needed now (to fill gaps) and in the future (as the industry transforms) 		
Working with the sector (responses on how the sector perceives its role)				Principles for the Action Plan (overarching sector perspectives)		
1. Work with the Government to design the operational detail and implementation of the initiatives 2. Work with the Government to drive visibility of, and engagement with, construction career opportunities				1. Coordinated promotion of the sector to all 2. Directly supporting all trainees/employees 3. Directly supporting employers 4. Life-skills, pastoral care and work readiness of young people		
Leverage Government Procurement		Expand the Sector Workforce Engagement Programme (SWEPE)	Promote Group Training Schemes (GTS)	Expand Skills for Industry (SFI)	Mana In Mahi – Strength in Work (MIM)	Immigration Policy
<ul style="list-style-type: none"> Leveraging Government Procurement as a means to stimulate construction skills training is well supported by the sector Participants appreciated how the other initiatives in the Action Plan could support training requirements in Government procurement 		<ul style="list-style-type: none"> The sector recognises the ability to link SWEPE with other initiatives (GTS, SFI & MIM) to develop real pathways, particularly around large projects It provides an opportunity to connect more effectively between real jobs, training and potential entrants to the sector It could provide valuable connections between industry and schools 	<ul style="list-style-type: none"> The sector like that the risk and management of apprentices is removed from the employer and managed within the GTS The GTS provide facilitated transition between school, work experience and trade training The mentoring GTS provide to employers and apprentices 	<ul style="list-style-type: none"> The sector recognises the opportunity to link skills for industry more effectively with SWEPE and GTS initiatives 	<ul style="list-style-type: none"> The sector are supportive of pre-trade training and work experience to develop life skills and better match beneficiary trainees with potential construction careers 	<ul style="list-style-type: none"> The 'safety valve' this offers to address peak shortages and immediate needs The sector supported a limited term to the policy Streamlined systems for employers with good track records were firmly supported Labour hire company accreditation to maintain quality and care was supported
<ul style="list-style-type: none"> There is a desire for the sector to be closely engaged with Government in determining the detail of procurement policy settings The sector recognises value in establishing a long-term plan (20-30 years) for government construction projects to provide continuity and confidence for the sector, helping smooth the boom-bust cycle Ensure training requirements are reflected at the sub-contractor level The sector wants to ensure the benefits of leveraged Government procurement are available to SMEs to support their growth and capability development There would be value in standardised procurement processes and questions 		SWEPE was seen as an opportunity for: <ul style="list-style-type: none"> Greater promotion and targeting in schools to change male gender bias in the construction sector Overall promotion to raise the visibility and profile of the sector and present positive construction career pathways and associated success stories 	There was a desire to see: <ul style="list-style-type: none"> Apprenticeships able to access fee free training incentives Industry Training Organisations able to be training providers Continued support services for employers delivered through GTS, such as HR support and administration related to training/trainees Delivery of pastoral care/life skills alongside trade training 	The sector wanted: <ul style="list-style-type: none"> The ability to support other groups as well as MSD job seekers – e.g. school leavers To have more input in designing training and work experience programmes To ensure the initiative engages those who want careers, and are not just attending because they're required to 	<ul style="list-style-type: none"> The sector favours an overall increase in promotion and funding support for apprenticeships. If broader funding and promotion for apprenticeships was developed as a lead initiative it is likely that the sector would recognise value in MIM being part of it. 	<ul style="list-style-type: none"> That New Zealand had a sustainable construction workforce and did not need to use immigrant workers That the skills, qualifications and experience of immigrant workers were more effectively and efficiently validated That using immigration as a short-term tool to address the skills shortage could apply more broadly than to just KiwiBuild
<ul style="list-style-type: none"> The sector also seeks opportunities to engage with Government during the design and specification of large Crown projects as a way of managing budget risk and maximising opportunity for NZ skills and materials The sector would like to see procurement changes across Government projects including both new construction and maintenance 		Could SWEPE: <ul style="list-style-type: none"> Support business to business mentoring? Partner with the sector for school visits and promotion? 	<ul style="list-style-type: none"> How can we work together to lift completion rates and see more trainees successful in their career choice? 	<ul style="list-style-type: none"> Could there be a pathway for adults in the workforce who want to retrain? 	<ul style="list-style-type: none"> There is uncertainty from the sector over MIM as a 'lead initiative' with a sense that it focuses on youth NEETs rather than being broadened to better support the sector's priorities Employees need basic literacy to be able to engage with the programme Should it just be about apprenticeships? Micro-credential approach also? 	<ul style="list-style-type: none"> How can we support employers with immigrant labour to provide NZ centric training e.g. H&S? How might we provide a pathway to residency for the right people? How do we ensure all the required skills are recognised on the skills shortage list?
<ul style="list-style-type: none"> Changes to procurement requirements to require skills training within RFPs and tender documents should be flexible and not prescribe specific ratios or numbers in training The current, price driven, sub-contracting model is widely regarded as a risk mitigation tool that has resulted in significant disincentives to train Need to monitor performance against the training commitments made 		<ul style="list-style-type: none"> SWEPE not widely known or understood outside of Auckland 	<ul style="list-style-type: none"> There was a concern that training minimum wages are too low and a real barrier to older trainees taking on an apprenticeship The initiative is not well-known or understood, particularly in building 	It was noted that success requires: <ul style="list-style-type: none"> Strong pastoral care and work-ready skills Careful matching of the right people to/or the right roles 	<ul style="list-style-type: none"> There is a feeling in the sector that the signals of MIM may be detrimental to wider promotion of apprenticeships and trade training There is concern that placing beneficiaries directly into apprenticeships without wrap around support may present a risk to successful outcomes for both the employer and the employee 	<ul style="list-style-type: none"> The sector was concerned that immigration policy has the potential to undermine incentives in the Action Plan to train and develop our own people Concern that the skills shortage list does not cover all areas of need
Industry noted elements perceived as 'missing' from the Action Plan and seen as adding value: <ul style="list-style-type: none"> Coordinated promotion of construction career opportunities at all levels Raise the training minimum wage to make apprenticeships more attractive and affordable Allow access to Fees Free for people who have completed previous tertiary study Change the eligibility criteria for student loans Recognition of a 'Trade Assistant' role that is between Labourer and Apprentice SME business to business mentoring services for financial, HR and management capability to enable business growth and staff development Training funding support for all apprenticeships at both employer and employee level Micro-credentials to support skills transfer & job portability across the sector A schools outreach programme to promote careers and provide pathways Linkage to trade associations and their members to help promote the sector and its career opportunities 						

Themes from sector consultation

Like

With

Wonder

Worry

Missing

Annex Two: Summaries of the priority initiatives

Construction Skills Strategy: Leverage Government Procurement



The s 9(2)(f)(iv) will be amended to include skills development and training as s 9(2)(f)(iv) for construction and infrastructure projects. This will mean that agencies ask suppliers as part of the tender what training and skills development they do currently and what more they would do as a result of securing a government contract.

Anticipated impacts



Impact on the workforce:

The sector strongly believes this will have a positive impact.

Assuming similar results to the successful Auckland Council example, a rough estimate indicates an additional 1,500 people could receive training through the initiative.



Costs:

Changes to the s 9(2)(f)(iv) themselves do not have financial implications. However, it is possible that this initiative may raise the cost of individual projects, as suppliers may pass on training costs and increased contract management may be required.

Sector feedback has been addressed

Sector feedback: Prefer a flexible approach that allows businesses to demonstrate what training and skills development they are doing, and what more they would do as the result of winning a contract - rather than requiring a set number/quota of apprentices.

MBIE response: We are proposing a flexible approach that does not have specific targets for the number of apprentices or trainees in Government construction and infrastructure projects.

Sector feedback: Ensure training requirements are reflected at the sub-contractor level.

MBIE response: This will be addressed at the detailed design stage.

Monitoring and review

- Government agencies will have to incorporate skills training and development into their reporting of contract management activities so that they are able to monitor the training being done by the suppliers.
- This will include gender and ethnicity information.
- The Minister for Economic Development will report back on progress to the MCW.

Timeline



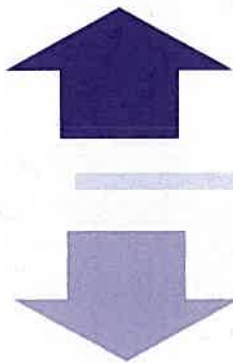
Annex Two: Summaries of the priority initiatives

Construction Skills Strategy: Establish Additional Jobs and Skills Hubs



Hubs are one-stop shops providing recruitment, skills training and schools-to-employment connections in locations experiencing concentrated job growth. They operate through partnerships across central and local government and with industry, employers and education providers. Work will start to establish two additional Hubs in Auckland, to be operational by June 2019 subject to funding in 2018/19.

Anticipated impacts



Impact on the workforce:

Improved connection to local jobs and training/support, career pathways, workforce diversity

Per Hub per year: 200 work placements, 1,500 training instances, 30 apprenticeships

Costs:

s 9(2)(f)(iv)

s 9(2)(f)(iv)

Sector feedback has been addressed

Sector feedback: Use Hubs to promote diversity, raise profile of sector, present positive career pathways.

MBIE response: Hub scope and objectives will be reviewed to ensure these factors are addressed.

Sector feedback: Should partner with other initiatives such as business to business mentoring, Trades for Schools.

MBIE response: We will look at potential partnership/coordination in the review of scope and objectives.

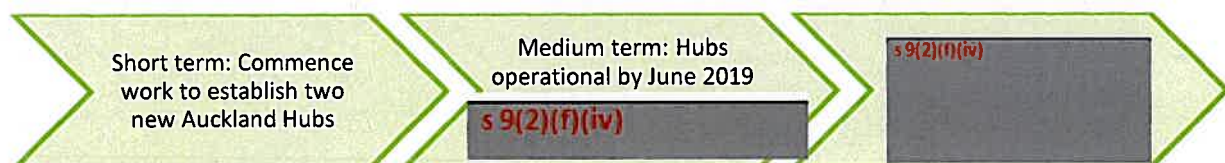
Sector feedback: The Hub model is not widely known or understood outside Auckland.

MBIE response: We have begun to scope a regional Hub in Manawatū/Whanganui.

Monitoring and review

- Review of Hub scope and objectives (s 9(2)(f)(iv)) will include establishing baseline KPIs and further refinement of the ethnicity data that Hubs currently capture.
- s 9(2)(f)(iv)

Timeline



Annex Two: Summaries of the priority initiatives

Construction Skills Strategy: Growing Construction Careers and Credentials



The Tertiary Education Commission (TEC) will establish a cross-sector steering group to coordinate the promotion of construction careers and explore micro-credentials. The initiative will leverage industry, tertiary education organisations and government resources to help the sector appeal to a wider audience, such as women. TEC will also work with Group Training Schemes to extend their promotional reach and impact.

Anticipated impacts



Impact on the workforce:

More diverse learners attracted to construction
Increased enrolments in construction-related training - a 5% increase would mean 2,300 more people working towards construction sector careers



Costs:

To be met through Industry Training Fund, which allows up to \$3.5 million per annum to be spent on industry training-related projects

Sector feedback has been addressed

Sector feedback highlighted the need for coordinated promotion of construction careers to grow and develop the workforce at all levels.

TEC response: We have expanded the scope of the initiative from promotion of Group Training Schemes to a broader focus on coordinating the promotion of careers in construction and helping increase workforce diversity.

Monitoring and review

- Regular reporting to MCW and cross-sector steering group on enrolment, demographic trends, and milestones in implementation plans.
- Review and report to MCW on effectiveness of initiative mid-2019.

Timeline

Short term (2018): Form steering group, work with Group Training Schemes, identify further opportunities

Medium term (to mid 2019): Investigate barriers, develop information resources

Long term: Support ongoing collaboration between the construction sector and the education system

Annex Two: Summaries of the priority initiatives

Construction Skills Strategy: Expand Skills for Industry



Partner with industry to provide industry-specific training for MSD job seekers, either immediately prior to or while in employment, at a national, regional and local level to help meet skill and labour shortages.

Anticipated impacts



Impact on the workforce:

§ 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]



Costs:

§ 9(2)(b)(ii) [Redacted]
[Redacted]
§ 9(2)(f)(iv) [Redacted]
[Redacted]

Sector feedback has been addressed

Sector feedback: Success requires strong pastoral care and careful matching of people to roles.

MSD response: This is already part of Skills for Industry, and this will be communicated to firms not currently involved in the initiative.

Sector feedback: Trades need to have input in designing training programmes.

MSD response: Skills for Industry works with employers and training providers to ensure training addresses industry needs.

Sector feedback: Need ability to support wider range of people (such as school leavers and adults in the workforce who want to retrain).

MSD response: § 9(2)(f)(iv) [Redacted]

Monitoring and review

The Minister for Social Development will report to the MCW:

§ 9(2)(f)(iv) [Redacted]

Timeline

Short term: Additional 2018/2019 funding is being used now

§ 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

Long term: Increased engagement with industry, e.g. through government procurement

Annex Two: Summaries of the priority initiatives

Construction Skills Strategy: Mana in Mahi – Strength in Work



Will pay a wage subsidy to employers in a range of industry sectors (not just construction) who are willing to hire a person in receipt of a main benefit, and offer that person an industry training qualification, including apprenticeships. This initiative will be implemented in two phases. Cabinet agreement to progress this initiative is being sought separately.

Anticipated impacts



Impact on the workforce:

10 construction sector places have been committed for the Phase One prototype programme. This number is expected to increase as Phase One progresses.

Full implementation in § 9(2)(f)(iv) will accommodate more construction places - numbers will be tested during Phase One.



Costs:

§ 9(2)(f)(iv)

Accuracy of cost estimates is being tested through Phase One.

Sector feedback has been addressed

Sector feedback: Unsure about the role of Mana in Mahi – Strength in Work in the Action Plan, and its effect on the wider promotion of apprenticeships and trade training.

MSD response: Including Mana in Mahi – Strength in Work in the Action Plan ensures its construction sector aspects work cohesively with other initiatives. Lead agencies will work closely to ensure that the initiatives are coordinated.

Sector feedback: The wage subsidy won't be sufficient for employers to hire beneficiaries.

MSD response: Support provided to employers will be carefully designed and monitored to ensure it's effective. This will include testing through the Phase One prototype and incorporation of lessons learned in the full design.

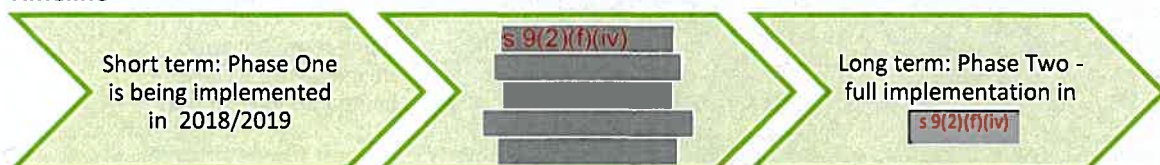
Sector feedback: Need pre-trades training and work experience to match beneficiaries with construction careers.

MSD response: Phase Two support could be linked to existing training and work readiness programmes and/or include up-front training components. Both of these aspects are being tested in Phase One.

Monitoring and review

- Mechanisms have been put in place to monitor the performance of the prototype programme under Phase One, such as how many participants enter into formal industry training agreement with their employer in construction.
- Further evaluation and monitoring mechanisms will be put in place for the full implementation.

Timeline



Annex Two: Summaries of the priority initiatives

Construction Skills Strategy: Immigration Settings



The Minister of Immigration will establish the following time-limited package of changes:

- **A KiwiBuild Skills Shortage List** to provide an expedited process to fill specific roles in which we know demand exceeds domestic supply
- **An employer accreditation or alternative pre-approval model** to provide certainty and flexibility for employers who exhibit good practices and employ local workers to recruit overseas workers as well as enable speed and simplicity of visa processing
- **Specific requirements for labour hire companies** to manage the risk of exploitation of workers and the potential for undercutting of wages and conditions of New Zealand workers

Anticipated impacts



Impact on the workforce:

Supplements labour market to address immediate sector skills shortages

Supports development of New Zealand workers by ensuring they are considered first for employment and training opportunities



Costs:

Immigration NZ operational costs to manage shortage list; assess and approve applicants; monitor and enforce employer and migrant compliance with requirements - To be assessed once detailed policy development is complete

Data forecasting and occupation/skills definitions for shortage lists undertaken with sector workforce forecasting for Action Plan

Sector feedback has been addressed

Sector feedback: Could inhibit initiatives to attract New Zealand workers into the sector and provide disincentives for employers to train and retain workers in the medium to long term

MBIE response: Time-limited and temporary for migrants so the construction sector does not become dependent on migrant workers and employers and the sector plan for their future workforce. Timeframe could be flexible to accommodate potential changes to the Action Plan, sector response or market conditions.

Sector feedback: Should be available for other construction projects beyond the KiwiBuild programme.

MBIE response: Minister of Immigration will consider expanding to the wider construction sector in consultation with Minister of Housing and Urban Development and Minister for Building and Construction.

Monitoring and review

The Minister for Immigration to report back to the MCW on progress and on:

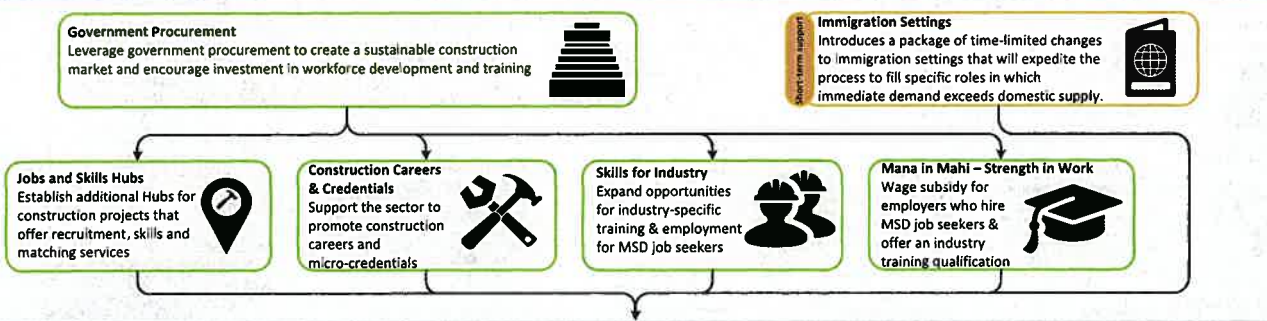
s 9(2)(f)(iv)

Timeline

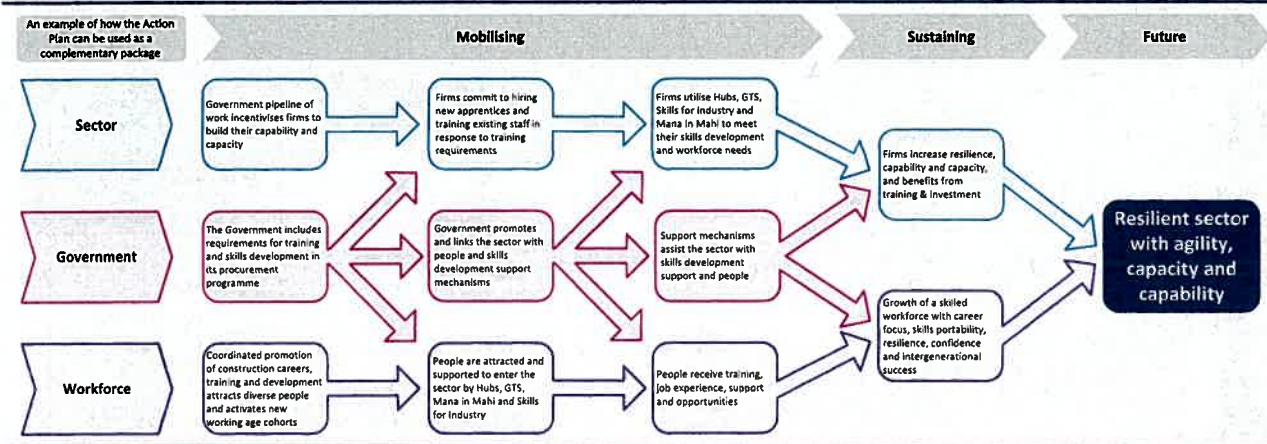


Annex Three: Action Plan Initiatives as a Package







Construction Skills Strategy Action Plan – Phase One



The sector can deliver the right people, at the right time, with the right skills, to meet New Zealand’s current and future construction needs



Construction Skills Strategy Action Plan – Phase One Initiatives

Government Procurement 	What is happening The Government Rules of Sourcing will be changed to require agencies to include skills development and training as weighted criteria when tendering for construction and infrastructure projects.	Why this work matters This will incentivise firms to invest in new staff and skills development and training of existing staff. With the other initiatives in the Action Plan it works as a package to address both capacity and capability issues.	Expected impact The sector strongly supports this as a means to increase sector capability and capacity. Based on the Auckland Council example, an estimated 1,500 additional people could receive training via this initiative by 2020.	Indicative cost Changes to the Government Rules of Sourcing do not have financial implications. However, it is possible that this initiative may raise the cost of individual projects if training costs are incorporated into contract bids.
Jobs and Skills Hubs 	What is happening Establish additional Jobs and Skills Hubs to offer recruitment and matching services, skills training co-ordination services and schools engagement.	Why this work matters Hubs are important one-stop shops providing recruitment, skills training and schools-to-employment connections in locations experiencing concentrated job growth.	Expected impact Each additional Hub could generate 200 placements into work per year, 1500 skills training interventions and 30 young people supported into apprenticeships.	Indicative cost [Redacted]
Construction Careers & Credentials 	What is happening Establish a cross-sector steering group to coordinate efforts across the construction and tertiary education sector to promote construction careers, Group Training Schemes (GTS) and micro-credentials.	Why this work matters Coordinated promotion of careers and in-work training and development (at all levels) is required to encourage and support new and diverse people into construction careers.	Expected impact More diverse people will be attracted and supported into construction careers, as part of an estimated 2,300 more people enrolled in construction-related education or training over 3 years.	Indicative cost To be met through Industry Training Fund, which allows up to \$3.5 million per annum to be spent on industry training related projects.
Skills for Industry 	What is happening Partner with the sector to provide industry-specific training for MSD job seekers at national, regional and local level to help meet skill and labour shortages.	Why this work matters This initiative provides employers and job seekers with the skills and support mechanisms they need, and increases the number entering construction roles.	Expected impact At least 150 additional construction places in 2018/2019. [Redacted]	Indicative cost [Redacted]
Mana in Mahi – Strength in Work 	What is happening Pays a wage subsidy to employers who hire a person in receipt of a main benefit, and offer that person an industry training qualification, including apprenticeships.	Why this work matters This programme will provide a financial incentive for employers to hire and train people in industry specific qualifications.	Expected impact 10 construction sector places have been committed for the Phase One prototype programme. This number is expected to increase as Phase One progresses.	Indicative cost [Redacted]
Immigration Settings 	What is happening A time-limited package of changes covering a KiwiBuild shortage list, an employer pre-approval model and with specific requirements for labour hire companies.	Why this work matters Provides an expedited process to fill specific roles in which immediate demand exceeds domestic supply. Allows delivery of priority work while longer term domestic workforce skills development occurs.	Expected impact Supplements labour market to address immediate sector skills shortages. Supports development of NZ workers by ensuring they are considered first for employment and training opportunities.	Indicative cost Immigration NZ operational costs to manage shortage list, assess applicants; monitor and enforce employer and migrant compliance with requirements. TBC following detailed policy development.

Timeline Short term Additional investment enabling 150 places in 2018/19 Phase One (prototype and testing) with a small group of employers in 2018/19
Medium term [Redacted] Two additional Jobs and Skills Hubs are planned for establishment in Auckland by June 2019 TEC will commence engagement with the sector in August 2018. Impacts on career uptake should be seen by March 2019 [Redacted] [Redacted]
Longer term/TBA Signalling a clear and sustainable pipeline of work could occur (MBIE will continue to work with relevant agencies to investigate this) There is potential for more Hubs outside Auckland by 2022/23

Annex Four: Other initiatives that support the Construction Skills Strategy

Education and/or employment services

Name	Description
Māori and Pasifika Trades Training (MPTT)	<p>MPTT provides fees-free pre-trades training and wraparound support to increase Māori and Pasifika participation and achievement in vocational training, and to improve their progression into sustainable employment and workplace-based training such as apprenticeships. The TEC funds MPTT consortia and lead tertiary providers. MPTT is centred on consortia of iwi, hapu, Māori and Pasifika community groups, employers, tertiary education organisations and industry training organisations. Providers receive a top-up to their Student Achievement Component funding to enable them to offer formal training fees-free.</p> <ul style="list-style-type: none"> In 2017 1,070 people enrolled in construction-related qualifications through MPTT (around 37 per cent of 2017 MPTT students).
Secondary transitions programmes, including Trades Academies	<p>These programmes enable young people to access a broader range of learning options in tertiary education or workplaces while still enrolled at school. Construction and infrastructure is a popular pathway in these programmes.</p> <ul style="list-style-type: none"> In 2017 1,418 people engaged in construction and infrastructure related learning through Trades Academies (around 20 per cent of 2017 Trades Academy places).
Pacific Employment Support Services (PESS)	<p>Assists Pacific young people and their communities to reduce the number of people not in education, employment or training in order to support improved economic well-being and living standards. Delivered in Auckland and Hamilton.</p> <ul style="list-style-type: none"> Over 7 years, PESS has placed 1085 people into employment. Of that number, 237 (21.8%) went into construction related roles – an average of 34 people per year. Over the same period, PESS placed 750 people into training. Of that number, 183 (24.4%) completed further education related to construction – an average of 26 people per year.
Māori Cadetships	<p>Intended to drive higher skilled and better paid jobs for Māori and make the Māori workforce more resilient. Cadets need to have achieved basic work readiness and can be existing employees or new recruits. The initiative is employer-driven and provides flexibility in how employers deliver their programme. Employers receive up to \$10,000 (excl GST) per cadet as a contribution to the cost of employing, training and mentoring cadets. The fund targets a wide range of industries including those that are construction-related.</p> <ul style="list-style-type: none"> In 2017/18, 308 of the 352 Māori cadets (87.5%) worked in 'infrastructure', including construction.

Name	Description
Trades training in prisons	<p>The Department of Corrections provides trade training in construction-related industries in prisons across the country, in partnership with a number of training providers. Real world work environments enable the Department to offer training, qualifications and hands-on experience in a range of construction-related skills. These initiatives provide opportunities for offenders to gain job skills and a work ethic that will prepare them for employment upon release from prison. Employment plays a large part in successfully integrating offenders back into the community, which in turn has a positive effect on recidivism.</p> <ul style="list-style-type: none"> • The initiative has the potential to train 900 construction workers by 2022 (an average of 225 per year)

Initiatives that provide broad-based support for the outcomes of the Construction Skills Strategy

Name	Description
Crown-Māori Economic Development Strategy	E RERE represents the five goals of the Strategy: Employment, Rangatahi, Enterprise, Regions and Education. The Strategy has targets to reduce Māori unemployment and the rates of Māori youth not in employment, education or training.
National Certificate of Educational Achievement (NCEA) Review	The review includes a focus on enabling school pupils to learn in a range of environments (such as a schoolroom, a tertiary provider or a work placement) and to have good transitions through schooling and beyond, to further education and the world of work.
Review of Vocational Education and Training (VET)	<p>The Ministry of Education is undertaking a fundamental review of VET aimed at creating a strong VET system that meets the needs of learners and industry. Key themes of the review are:</p> <ul style="list-style-type: none"> • A strong network of provision for all regions • Work-based learning that adapts to a variety of needs • A system that is effective for a diverse range of learners • A system that supports, and is supported by, industry
School leavers' toolkit	Commits to providing all young people with a toolkit to ensure they have the knowledge, skills and capabilities required to transition successfully to further education, training or employment. This includes having a driver's licence, financial literacy, understanding of civics and citizenship, and workplace and specific occupational competencies.
Improving careers education in secondary schools	The objective of this work is to ensure that young people leave secondary education with the skills and attributes needed for a successful transition to further education, training or employment.

In Confidence

Office of the Minister for Economic Development

Chair, Cabinet Economic Development Committee

Action Plan to Deliver the Construction Skills Strategy - Leverage Government Procurement

Proposal

1. This paper seeks agreement to Leveraging Government Procurement being one of the priority initiatives in the final Action Plan.
2. This is paper B of a suite of five papers, plus a cover paper, seeking agreement to the Action Plan and details of four of the priority initiatives as follows:
 - 2.1. Paper A: Action Plan to Deliver the Construction Skills Strategy;
 - 2.2. Paper B: Leverage Government Procurement;
 - 2.3. Paper C: Establish Additional Jobs and Skills Hubs;
 - 2.4. Paper D: Growing Construction Careers and Credentials;
 - 2.5. Paper E: Expand Skills for Industry;
3. The following two initiatives proposed to be included in the Action Plan have previously been considered by Cabinet:
 - 3.1. Mana in Mahi – Strength in Work [SWC-18-MIN-0084]; and
 - 3.2. Immigration Settings [DEV-18-MIN-0090].

Executive Summary

4. This paper provides more detail on how I plan to leverage government procurement as part of the Action Plan to deliver the Construction Skills Strategy.
5. Consultation with the Construction sector has shown wide support for this initiative and the positive impact procurement can make.
6. Following this consultation it is proposed § 9(2)(f)(iv) [redacted] agencies § 9(2)(f)(iv) [redacted] will be required to include skills development and training § 9(2)(f)(iv) [redacted] when tendering for construction and infrastructure projects. A § 9(2)(f)(iv) [redacted].
7. § 9(2)(f)(iv) [redacted]
8. This paper outlines the impact, costs, constraints and risks associated with this.

9. The paper also covers the importance of a more sustainable construction market. The Ministry of Business, Innovation and Employment will continue to collaborate with relevant agencies to smooth the pipeline of construction and infrastructure projects.

Background

10. The Cabinet Economic Development Committee agreed in principle on 23 May 2018 that, subject to consultation with construction sector stakeholders, "Leverage Government Procurement" would be one of the five priority initiatives that make up the draft Action Plan [DEV-18-MIN-0094]. Cabinet also agreed in principle that the Ministry of Business, Innovation and Employment would undertake work to make skills training and development a requirement across government procurement.
11. Current procurement practices do not incentivise employers to take on apprentices or invest in training and developing their current workforce, and risk allowing competitors who don't train their own staff to undercut those who do.
12. Businesses have sought to address the skills shortage by bringing in overseas workers, in some cases illegally. Operation Spectrum, looked across 10 Auckland Companies and resulted in 190 people being barred or deported from the country when it was revealed they did not have the legal right to work in New Zealand. Those that were working illegally did not pay tax, these practices undercut honest firms in the market.
13. The Ministerial Group on the Construction Workforce and I saw an opportunity to leverage government's spend to address this, by recognising companies with good employment policies in the tender process, and by looking at the longer term boom and bust cycle that disincentives suppliers to invest in training. I directed officials to look into what could be done in this space.
14. Given Government Procurement's significant spend (18% of New Zealand's Gross Domestic Product) it can be leveraged to support a number of outcomes. These outcomes can include social outcomes (e.g. getting unemployed people into work), economic outcomes (e.g. supporting New Zealand businesses), environmental outcomes (e.g. reduced waste to landfill) or cultural outcomes (e.g. alignment with Māori values).
15. MBIE is currently working on a broader framework to increase the number of procurements that leverage these outcomes and deliver better value for New Zealand and all New Zealanders.
16. s 9(2)(f)(iv)
[Redacted text]

Description

17. Government procurement of construction and infrastructure projects will be used to incentivise firms to invest in skills training and development. I propose to do this by requiring government agencies to include skills development and training in their procurement planning § 9(2)(f)(iv)
18. This will mean that agencies ask suppliers as part of the tender what training and skills development they do currently and what more they could do as a result of securing a government contract. These responses will then be included in the final contract with the successful tenderer. This approach will allow prime contractors and subcontractors to focus on developing and building the skills they need in a way that will achieve the greatest benefit to their respective industries rather than government mandating what skills training and development we want them to focus on.
19. Including skills training and development in the tender process will also serve to initiate the earliest possible engagement between stakeholders (e.g. Suppliers, Central and Local Government, Iwi, Industry Associations, Industry Training Organisations, Private Training Enterprises and Community-based agencies), to better prepare the workforce and New Zealanders seeking employment in the construction sector.

Leveraging Government Procurement sits within a broader package of construction related initiatives

§9(2)(f)(iv)

20. Including a requirement for government agencies § 9(2)(f) skills development and training in their construction and infrastructure tenders will send a strong signal to the sector about the importance that this government places on training. Businesses will have to take skills development and training seriously if they want to win government contracts.
21. The other four initiatives provide options to businesses to increase the skills training and development they carry out. For instance Mana in Mahi – Strength in Work can help businesses employ someone who has been receiving benefits by subsidising their wages and providing additional supports. Employers could go to the Skills and Jobs Hubs to recruit new people to their companies or Skills for Industry can support the construction sector to provide industry-specific training for Ministry of Social Development job seekers.
22. Demonstrating their participation in these initiatives in turn has the potential to give businesses with strong commitments to training and skills development an advantage when competing for government contracts.

Relationship to the other outcomes that can be achieved through Government Procurement

23. I believe that procurement contracts cannot, in practice, target every economic, environmental, social and cultural outcome in every contract. There is a risk that by trying to incorporate every possible outcome there is a lack of accountability and focus. Additionally it is important to remember that price will always remain an important factor.

24. To address this issue, work is underway to prioritise different factors for different categories of procurement. For vehicles, greenhouse gas efficiency can be prioritised. For software, local content and innovation. For consumables, reuse, recycling and composting.
25. s 9(2)(f)(iv) for the purpose of construction contract procurement this paper proposes prioritising skills, development and training.

Sector consultation

26. The sector was widely supportive of this initiative and some groups ranked it as the initiative they felt would have the highest overall impact.
27. When discussing what skills and training the sector should be expected to provide through government contracts, the sector was clear that they see more value in a flexible approach. Such an approach would allow businesses to demonstrate what they are doing in skills and training rather than needing to use a set number of apprentices, as the skills shortage is not solely due to a lack of apprentices.
28. Participants in the Christchurch workshop felt that participating in initiatives in the action plan should be weighted more highly in procurement processes than other skills training and development commitments. I am proposing that we “keep it simple” at this time and revisit this suggestion at a later stage.
29. The sector also raised the difficulty around how this initiative would be monitored given that the vast majority of training occurs at the subcontractor level. Agencies will need to have strong contractual and reporting mechanisms that require prime contractors gather and report the necessary information about the training being delivered by their subcontractors to agencies.

Impact on the workforce

30. I have already seen this approach work in New Zealand with Auckland Council’s \$20 million Te Auanga project, where the tender included that a key non-price attribute would be willing participation in providing social outcomes (including skills development in training). This resulted in the successful tenderer employing five new apprentices.¹
31. Given this result from a relatively small contract, we can expect further outcomes from expanding this approach across central government which is expected to spend close to \$ 2.5 billion on non-residential construction and \$3.7 billion on infrastructure in 2020.² Assuming all contracts for this expenditure deliver similar benefits, a rough estimate using this example indicates an additional 1,500 people could receive training through this initiative.

¹ Te Auaunga Awa (Oakley Creek) Social Evaluation: Report 1 – Engagement

² MBIE Construction Pipeline Report 2017

Cost

32. Training apprentices costs businesses. The Building and Construction Industry Training Organisation asserts that it takes between three to four years before the cost of training is offset by the benefit. This means that those who do not train and instead rely upon recruitment from competitors who do train or work permits can use this to their financial advantage. The status quo thus has the wrong incentives.
33. Every new requirement in a procurement process will require agencies to consider appropriate trade-offs. For example, construction projects that include requirements for bidders to include a skills development element may add up front costs, impact delivery times or result in additional legal review and contract management costs.
34. It is reasonable to expect some businesses who don't currently train many staff will increase the price of their bids when bidding for Government projects as they will view this as an extra cost as part of the project. The skills shortage of itself will be increasing costs because of the smaller pool of bidders.
35. Additionally agencies will need to increase their monitoring of these projects to ensure that the training is being delivered in addition to potential additional time and effort in planning the procurement and evaluation of tender responses, all of which will come at a cost to the agency.
36. This should be weighed against the cost of not taking any action. The current skills shortage is already contributing to added difficulty in procuring construction and infrastructure projects, which impact on timeframes, cost and quality of construction.
37. The current settings make it difficult for employers that invest in skills development and training to compete on price with businesses that do not spend money on skills development and training, contributing to businesses reluctance to invest in this.
38. I believe this initiative will help to create a level playing field for good employers who already invest in developing the domestic workforce.

Implementation

39. Government Procurement is regulated by a policy framework that includes the Government Rules of Sourcing (the *Rules*), the Five Principles of Procurement and good practice guidance.
40. s 9(2)(f)(iv) skills development is already permitted under the Five Principles of Procurement which tells agencies they must consider the social (which can include cultural), environmental and economic aspects of a deal.
41. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

42. [REDACTED]
43. MBIE guidance will need to cover a range of areas including comparable metrics for how practitioners can evaluate the different types of training that firms specify in their bids, including the evaluating the training that subcontractors do.
44. [REDACTED]

Design

45. Including skills development and training [REDACTED] apply to projects that meet the threshold for new construction works (currently \$10 million) [REDACTED]. This is consistent with other jurisdictions for example, in New South Wales the threshold is \$10 million and in Victoria \$20 million.
46. [REDACTED]
47. Once skills development and training commitments are evaluated the agreed commitments will be incorporated into the contract and through contract management agencies will need to ensure these commitments are followed through.
48. Projects under this threshold will be encouraged to give consideration to skills development and training [REDACTED] where it is appropriate.
49. For this rule to be effective it must be designed in close consultation with the sector and procuring agencies. The proposed rule should be flexible enough that:
- 49.1. agencies are still able to give appropriate consideration to factors such as quality, price and time while still ensuring that businesses with quality training and skills development commitments are winning government contracts; and
 - 49.2. it allows for bids to be rejected if they are from companies relying upon contractors, subcontractors or labour hire companies who do not train sufficient workers (but rather rely on workers trained by others or on work permits/skills shortage categories).
50. [REDACTED]

Constraints

51. On large Crown projects, prime contractors generally subcontract approximately 90% of the physical works (or 75-80% of the contract by value). Therefore most of the training and apprenticeships occur at a subcontract (or sub- subcontractor) level.
52. Therefore on a practical level, agencies will need to have strong contractual and reporting mechanisms to be sure that prime contractors report the necessary information about the training to be and being delivered by their subcontractors to agencies.

Risks

53. This will be a new approach for agencies and businesses. Consultation with agencies has identified some risks and potential impacts.
54. It is possible that construction companies will decide not to bid for government contracts if they see it as too difficult and decide to focus on private sector contracts instead. This could be mitigated by allowing suppliers flexibility in how they demonstrate their skills development and training as well as providing suppliers certainty of work so they can be sure they will have sufficient work for any new employees.
55. Procurement practitioners in government agencies may not have the capacity and capability to plan, evaluate, monitor and report on the training and development that business put in their bids. This can be mitigated by the best practice guidance MBIE will provide to agencies.
56. There is a risk that suppliers do not complete the training they committed to once the contract term has ended. MBIE will work with relevant agencies around how this could be mitigated by the sustainable construction market work underway.

Monitoring and review

57. Government agencies will be expected to monitor the training requirements that have been built into the contracts of successful tenderers. Government agencies will have to incorporate into their contract management activities reporting so that they are able to monitor the training being done by the contractor.
58. The first year after this is implemented could be used to create baseline data. This will include data on participation of Māori, Pasifika and women.
59. Government procurement has been identified as a lever to achieve many other benefits outside of skills development. MBIE is developing a reporting regime for government agencies to report on the other outcomes their procurements are achieving.

Creating a sustainable construction market

60. The construction sector has frequently and consistently highlighted how the boom and bust nature of the construction industry has resulted in construction companies not investing in the domestic workforce. By providing a clear and certain pipeline of

work Government would remove one of the major barriers to businesses investing in training.

61. The Department of Corrections has been leading a Crown Collaboration Construction Forum³ (the Forum) with officials from the major procurers of Construction and Infrastructure across government to create a pipeline of upcoming government projects and understand how their sequencing will affect the sector.
62. MBIE will continue to work with this forum and any other relevant agencies on this longer term piece of work to understand how we can leverage government construction procurement to create a more sustainable construction market.

KiwiBuild

63. The KiwiBuild 'Buying off the Plans' Invitation to Participate asked developers what skills and training their developments would provide. A total of 94 proposals have been received to-date.
64. An initial review of the proposals indicates that respondents have identified a range of skills development opportunities they would undertake. Commitments described have ranged from enhancing the skillset of existing tradespeople onsite, apprenticeship offerings and becoming a Skills Hub provider.
65. Evaluations of the proposals are still ongoing and skills development outcomes will have to be finalised in the context of these evaluations and subsequent negotiations. MBIE will seek to take on board lessons learned into the design of this initiative.

Consultation

66. The Ministry of Education, Ministry for Pacific Peoples, Ministry for Women, Te Puni Kōkiri, the Ministry of Social Development and the Treasury were consulted on this paper.
67. Agencies have raised concerns that this initiative may be difficult to implement and reduce the number of suppliers bidding, these have been covered in the risk section of this paper.

Financial Implications

68. There are no financial implications associated with s.9(2)(f)(iv). However, consultation informs us that skills development requirements will add additional costs to procurements, through bidders adding to cost of delivery plus the additional resource demands on agencies to assess and monitor this requirement. If any increased costs do affect individual agencies they will have to raise this in the budget process.
69. Quantifying the additional costs that suppliers might add to cost of delivery is not possible as each project is unique and we cannot predict what additional costs suppliers might add.

³ Agencies involved in this group are Corrections, MBIE, Ministry of Health, Treasury, New Zealand Transport Agency, Ministry of Education, Ministry of Defence, New Zealand Defence Force.

70. The Treasury's Better Business Case process which covers projects over \$15 million can include anticipated projected costs and means that there will be some transparency in respect of projected costs.
71. Other jurisdictions have undertaken this approach, although under different operating conditions, and have shown there are benefits from leveraging procurement in large projects even if they are difficult to quantify.

Legislative Implications

72. This paper has no legislative implications.

Impact Analysis

73. This paper does not require an impact analysis.

Human Rights

74. This paper does not have Human Rights implications.

Gender, Diversity and Disability Implications

75. This initiative does not propose that we include specific mandates for a diverse workforce in procurement contracts. However, nothing in the current initiative would prevent agencies from making this part of their decision process if it were appropriate, for example, where a project takes place in an area with a high population of Māori or Pasifika people. Additionally agencies could incorporate requirements for a diverse workforce, including opportunities for disabled people if it were appropriate to do so.
76. We can use information gathered from reporting on this to establish a base line of the diversity of people benefiting from training. If there does not appear to be an increase in participation of women and Māori and Pasifika people than MBIE will investigate whether targets should be implemented.

Publicity

77. Publicity of this paper will be in line with publicity of the Action Plan to be decided by the Ministerial Group on the Construction Workforce.

Proactive Release

78. This paper will be proactively published subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Economic Development recommends that the Committee:

1. **Note** that current procurement practices do not incentivise employers to take on apprentices or invest in training and developing their current workforce, and risk allowing competitors who don't train their own staff to undercut those who do;

2. **Note** that on 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders that;
 - a) Leverage Government Procurement be one of the five priority initiatives in the draft Construction Skills Action Plan and;
 - b) that the Ministry of Business, Innovation and Employment undertake work to make skills training and development a requirement across government procurement [DEV-18-MIN-0094].
3. **Note** that sector feedback has been supportive of leveraging government procurement to deliver skills in construction contracts and has indicated there is sector belief it will have a meaningful impact;
4. **Note** that sector consultation identified that a clearer pipeline and creating a sustainable construction market would have a significant impact in changing employers willingness to train;
5. **Note** that MBIE will continue to work with the Treasury and the Collaborative Construction Forum to investigate how we can leverage government construction procurement to create a more sustainable construction market;
6. **Note** that officials intend to develop a monitoring and reporting regime which will report on developing skills in construction contracts as well as a wide range of other outcomes;
7. **Note** prime contractors will have to report to agencies on their skills development and training commitments as well as that of their subcontractors;
8. **Note** that I will provide updates on progress to the Ministerial Group on the Construction Workforce; and
9. **Note** that the Ministry of Business Innovation, and Employment will provide best practice guidance to agencies on how they can incorporate these requirements, which could include provisions for a diverse workforce, into their procurements, including comparable metrics through which to evaluate training requirements.

Authorised for lodgement

Hon David Parker

Minister for Economic Development

In Confidence

Office of the Minister of Employment

Chair, Cabinet Economic Development Committee

Action Plan to Deliver the Construction Skills Strategy – Establish Additional Jobs and Skills Hubs

Proposal

- 1 On 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders, that Expanding the Jobs and Skills Hub model be one of the six priority initiatives in the draft Construction Skills Action Plan [DEV-18-MIN-0094], with Mana in Mahi – Strength in Work [SWC-18-MIN-0084] and Immigration Settings [DEV-18-MIN-0090] having previously been considered by Cabinet.
- 2 This paper provides the details for the proposal to establish additional Jobs and Skills Hubs for inclusion in the final Action Plan.
- 3 This is paper C of a suite of five papers, including a cover paper, seeking agreement to the Action Plan and details of four of the priority initiatives as follows:
 - 3.1 Paper A: Action Plan to Deliver the Construction Skills Strategy;
 - 3.2 Paper B: Leverage Government Procurement;
 - 3.3 Paper C: Establish additional Jobs and Skills Hubs;
 - 3.4 Paper D: Growing Construction Careers and Credentials; and
 - 3.5 Paper E: Expand Skills for Industry.
- 4 The following two initiatives proposed to be included in the Action Plan have previously been considered by Cabinet:
 - 4.1 Mana in Mahi – Strength in Work [SWC-18-MIN-0084]; and
 - 4.2 Immigration Settings [DEV-18-MIN-0090].

Executive Summary

- 5 This paper provides detail on how I plan to launch two more Jobs and Skills Hubs in Auckland, as part of the Action Plan to deliver the Construction Skills Action Plan.
- 6 Specifically, I propose to start work to establish two additional Jobs and Skills Hubs in Auckland (as part of the broader SWEP programme), s 9(2)(f)(iv)
[REDACTED] also looking to scope a

regional based Hub in the Manawatū/Whanganui region. Implementing the proposal to have two new Hubs up and running by June 2019 will also depend on **s 9(2)(f)(iv)**. Specifically I propose to establish Hubs in:

- 6.1 Northcote: Development conversations are already underway in Northcote to support a significant housing development;
 - 6.2 West or South Auckland: SWEP will explore with potential partners a second additional Hub in West or South Auckland. This could be aligned to significant housing developments such as those in Unitec and Avondale in the inner-West, or the Henderson town-centre redevelopment; or, in the South, the Mangere housing development (approx. 7,000 homes); and
 - 6.3 Manawatū/Whanganui: This would be an opportunity to trial a regional based Hub with stakeholders to cover a number of sectors including, construction, dairy and road freight transport. Dunedin stakeholders have also requested assistance from SWEP to scope a hub initiative that could service three large inner city construction projects **s 9(2)(f)(iv)**.
- 7 To date, the Sector Workforce Engagement Programme (SWEP), including its partner agencies, has been supporting three Jobs and Skills Hubs (Hubs) in Auckland:
- 7.1 Ara, the Auckland International Airport Jobs and Skills Hub;
 - 7.2 the CBD Jobs and Skills Hub; and
 - 7.3 the Tamaki Jobs and Skills Hub.
- 8 These Hubs focus on supporting greater connections to the local labour market for areas of concentrated job growth, helping connect employers and local jobseekers, facilitating greater on-site training and upskilling, and building connections with local schools. These areas of focus align well with the objectives of the Construction Skills Action Plan, to help connect the right people into construction employment, at the right time and with the right skills, through collaboration across agencies and with industry.
- 9 This model provides a great opportunity to work closely with employers to help them plan for and access the skills and labour they need, by drawing on those available in the local labour market as much as possible, including groups currently under-represented in the construction industry.
- 10 Sector feedback on the Hubs is that:
- 10.1 They can help address workforce diversity and demonstrate clear and positive career pathways into construction;
 - 10.2 They help the sector engage effectively with schools and schools clusters surrounding large projects and developments;

- 10.3 They can help businesses, particularly SMEs understand, plan for and deliver their labour and training needs; and
- 10.4 While the Hub concept was viewed as positive, the Hubs' operating model is not widely known or understood outside Auckland.
- 11 Officials have estimated that SWEP would require an additional § 9(2)(f)(iv) to undertake these short term activities and to support the establishment of two additional Hubs and scoping a regional based Hub, as well as § 9(2)(f)(iv) to support the increased activities and the additional Hubs. § 9(2)(f)(iv).
- 12 In § 9(2)(f)(iv), this initiative will incur a cost of § 9(2)(f)(iv) of additional support for SWEP. This is being sought from within existing MBIE baselines. § 9(2)(f)(iv).
- 13 § 9(2)(f)(iv).

Background

- 14 The construction sector is key to the Government's goals for KiwiBuild, transport, infrastructure (including health and education) and regional development, but it is facing constraints. The construction workforce does not have the size and skills to deliver New Zealand's growing pipeline of construction projects.
- 15 The Ministerial Group on the Construction Workforce developed the Construction Skills Strategy and draft Action Plan to address these issues. The vision of the Strategy is that Government collaborates with industry to drive a rapid and sustainable shift that delivers the right people, at the right time, with the right skills, to meet New Zealand's current and future needs.
- 16 One of the initiatives in the draft Action plan was to establish two new Jobs and Skills Hubs. This paper provides advice on the design options, cost, and possible impact of establishing two new Jobs and Skills Hubs through the Construction Skills Action Plan, and presents my preferred approach for consideration.
- 17 Subject to consultation with construction sector stakeholders, the Cabinet Economic Development Committee agreed in principle on 23 May 2018 to Paper C: Expanding the Jobs and Skills Hub models being one of the five priority initiatives that make up the draft Action Plan [DEV-18-MIN-0094].

The role of Jobs and Skills Hubs

- 18 At their core, the Jobs and Skills Hubs provide a focal point for local level engagement, workforce planning and response, and agreement on priorities across employers, government agencies, and other stakeholders. They operate on-site of a major development, alongside employers and industry, giving them greater access to employers, enabling the close relationships and a mutual understanding of each party's needs. They are a neutral space, not owned by any one agency. This allows them to try new and innovative approaches and do things differently, sharing the risk across agencies and with employers.
- 19 The design and operation of a Jobs and Skills Hub is flexible and responsive to the needs of the local stakeholders and the local labour market context. To date, the model has tended to have a mix of three key operational functions:

19.1 **Job matching:** Providing direct job brokerage support to jobseekers and on-site employers. Dedicated job brokers develop close relationships with employers to understand their specific needs and context, and help connect local jobseekers to opportunities arising, from multiple sources of supply, including direct referrals from Work and Income, walk-ins, training organisations and schools, and community groups. This role has typically been filled by secondees from the Ministry of Social Development;

19.2 **Upskilling the on-site workforce:** Training Advisors work with employers to identify their training needs, and source training providers which can deliver training courses on- site and across multiple employers. s 9(2)(f)(iv)

19.3 **Connection to local schools:** A School Engagement Facilitator at Ara coordinates a programme designed to improve the connections between employers at the Airport and their local schools, running a work experience programme for 60 students in 2017, and events to bring teachers onto construction sites and construction workers into the classroom. s 9(2)(f)(iv)

The CBD Hub is exploring this model.

Feedback has been positive, but there is more to do to capture the outcomes and ensure they are operating optimally

- 20 The three Auckland Hubs began operations at different points in time, (beginning with Ara which opened its doors in November 2015). As at the end of May 2018, Auckland's three Hubs had collectively placed 790 people, 73 percent of those were Māori or Pasifika job seekers. The Hubs had also co-ordinated 3,672 training

¹ s 9(2)(f)(iv)

interventions and facilitated 28 people into apprenticeships in that time. Each Hub has learnt from the other Hubs' journeys, with differing impacts so far.

- 21 Specific Key Performance Indicators (KPIs) and placements are only part of the story - early feedback from supporting the Hubs on the ground suggest that the longer term benefit of the approach comes from the engaged and personalised service targeting focused needs of employers and jobseekers, which anecdotally leads to:
 - 21.1 more durable job placements with skills acquisition and ongoing progression;
 - 21.2 an improvement in employer attitudes towards local workers and training; and
 - 21.3 an increase in workforce planning over the medium term.
- 22 I believe that the outputs and outcomes (both the numbers being achieved, and what is being measured) could be improved, particularly around improving the training and ongoing career progression.

Jobs and Skills Hubs can also play a key role to support other Action Plan initiatives...

- 23 In locations where the Hubs are active, they could play a key role in connecting to or supporting other actions under the Construction Skills Action Plan. For example, they could:
 - 23.1 provide support to employers subject to social procurement clauses, helping identify and place local jobseekers and potential apprentices;
 - 23.2 act as a pathway for the delivery of Skills for Industry, and act as a broker to connect people into employment; and
 - 23.3 support Group Training schemes, providing wrap around supports and training for those employed on the schemes, and connecting new employers to those schemes;

...but they should not be limited to the Construction Skills Action Plan

34. While getting the workforce to support Kiwibuild has clear priority, the Jobs and Skills Hub model has applicability beyond the construction workforce. It could also support provincial growth initiatives, or significant activities in other sectors such as forestry.
35. A number of stakeholders across regions have expressed an interest in Jobs and Skills Hub and the functions that could be applied at a regional level. Dunedin has shown interest to take advantage of the waterfront development, University rebuild and Hospital new build. Manawatū/Whanganui has expressed an interest due to the collaborative aspects and demand in the construction, dairy and road freight transport sectors.
36. Each Hub initially leveraged significant growth in construction activity in a given area. All three Hubs to date have responded to local opportunities as they arose and

broadened beyond construction into industries such as hospitality, freight and logistics, or tourism.

Expanding the model: proposed approach

37. I propose to strengthen the existing Jobs and Skills Hubs to support the intent of the Construction Skills Action Plan. First I propose begin work to establish two additional Jobs and Skills Hubs in Auckland by June 2019. These will be focused on:
- 37.1 Supporting a significant housing build in Northcote (which is expected to build 1200 homes by 2025). There are numerous planned developments in the vicinity. Northcote has limited local trades education, which will require us to consider the optimal structure and functions for the Hub in this area; and
- 37.2 West or South Auckland: SWEP will explore with potential partners a second additional Hub in West or South Auckland. This could be aligned to significant developments such as those in Unitec and Avondale, or the Henderson town centre redevelopment in the West; or Māngere.
38. We will also commence scoping work on trialling a Jobs and Skills Hub model in a surge region such as Manawatū/Whanganui. The model would need to be adapted to meet the local needs and context (in particular the size of the local labour market and proximity of local jobseekers), and may differ in terms of the overall structure, functions, and targeted outcomes.
39. The Hubs are resource intensive: they are designed, established, and funded through a collaborative approach across agencies and partners. s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
40. I consider that it is important to review the current Hubs to ensure that the model is meeting its potential, and to establish a clearer performance measurement and outcomes framework prior to a broader application.
41. Longer term, officials advise that there would be merit in establishing a defined funding mechanism to support the Jobs and Skills Hubs, to move away from negotiating on an as-needed basis and provide longer term operational certainty for the hubs and their partners.
42. As such, I propose a short term focus on strengthening the model coupled with a modest expansion, with a longer term goal of implementing clear resourcing arrangements to support both the existing, and develop additional, Jobs and Skills Hubs.

Costs and funding options

Establishment costs

43. Officials have estimated that SWEP would require approximately **§ 9(2)(f)(iv)** in additional funding over 2018/19 to support these short term activities. This funding would support the costs of strengthening the existing model, as well as provide initial catalyst funding to support the additional Hubs, through labour market research, engagement with industry, and initial seed funding. **§ 9(2)**

§ 9(2)(f)(iv)

Ongoing costs

44. **§ 9(2)(f)(iv)**
45. The cost of establishing and supporting additional Hubs will be largely dependent on the scale of any Hub, the number of functions it delivers (and by proxy, the number of personnel) and the cost of accommodation³
46. In addition, officials have advised that clearer funding settings would provide greater certainty to the existing Hubs and key partners and increase the speed with which a new Hub could be established.
47. I have asked officials to begin preparing a budget bid to help fund the existing and future Hubs. They will explore three key options:

47.1 **§ 9(2)(f)(iv)**

47.2 **§ 9(2)(f)(iv)**

47.3 **§ 9(2)(f)(iv)**

² **§ 9(2)(f)(iv)**

§ 9(2)(f)(iv) [Redacted]

48. Assuming a possible network of up to § hubs, this could range from § 9(2)(f)(iv) [Redacted]

49. § 9(2)(f)(iv) [Redacted]

Consultation

50. The Ministry of Education, Ministry for Pacific Peoples, Ministry for Women, Te Puni Kōkiri, Treasury and the Department of the Prime Minister and Cabinet were consulted on this paper.

51. Feedback from sector players on the Hubs was that they are potentially a good vehicle for promoting workforce diversity and presenting clear and positive career pathways into construction opportunity for secondary students and groups under represented currently in the construction sector (e.g. women entering the trades).

52. Common themes in the feedback were that:

52.1 The Hub model could help the construction industry build more structured and strategic school-to-employment pathways with schools and schools clusters surrounding large projects and developments; and

52.2 Hubs could provide a role in helping businesses, particularly SMEs understand and plan for their labour and training needs, which could be delivered through the Hubs finding and connecting businesses with the right professional support and / or co-ordinating business to business mentor networks.

53. These themes will be incorporated in my planned review of the Hub model's scope and objectives. While the sector viewed the Hub concept as positive, the operating Hub model is not widely known or understood outside Auckland. I will consider how we undertake raising the profile and value proposition of the Hub concept to large scale projects in other regions and in the review and in consideration of future resourcing options for expanding the number of Hubs.

Financial Implications

53 The total cost of the package of initiatives contained in Paper C will be:

53.1 § 9(2)(f)(iv) [Redacted]

Legislative Implications

56 There are no legislative implications from these proposals.

Impact Analysis

57 These proposals do not involve regulatory options that would require an Impact Statement

Human Rights

58 The proposals do not impact on human rights and will be consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Gender and Diversity Implications

59 The proposals in this paper have a focus on increasing the participation of under-represented groups in the construction workforce, including Māori, Pasifika, women and disabled people. The Hubs are strongly connected to their local communities, and directly impact on them in matching people to the associated employment opportunities.

Disability Perspective

60 In helping employers by referring suitable candidates for their consideration, the Hubs will work in line with Outcome 2 of the New Zealand Disability Strategy which is to support individuals' employment and economic security.

Publicity

61 If Cabinet agrees to the final Action Plan, I intend to work with colleagues to issue a press release announcing the details of the expansion of the SWEP programme.

Proactive Release

62 This paper will be released proactively along with the other papers in the package with any appropriate redactions.

Recommendations

The Minister of Employment recommends that the Committee:

1. **Note** that, on 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders, that Paper C: Expanding the Jobs and Skills Hub model be one of the six priority initiatives in the draft Construction Skills Action Plan [DEV-18-MIN-0094];
2. **Note** this paper is one of a suite of papers, seeking agreement to the details of the initiatives that make up the Action Plan;

3. **Note** that the Minister of Employment will lead work through the SWEP to have two new Hubs up and running by June 2019, s 9(2)(b)(ii) for:

3.1. Northcote: Development to support a significant housing development;

3.2. West or South Auckland: a second additional Hub aligned to significant housing developments such as those in Unitec and Avondale in the inner-West, or the Henderson town-centre redevelopment; or, in the South, the Mangere housing development (approx. 7,000 homes); and

3.3. Commence scoping work on a regionally based Jobs and Skills Hub in Manawatū/Whanganui and/or Dunedin to meet the local needs.

4. **Note** that the financial recommendations for the two Hubs are included in Paper A: Action Plan to Deliver the Construction Skills Strategy;

5. **Note** that the Minister of Employment with the Minister for Social Development will:

5.1. review the current hubs to ensure that the model is meeting its objectives; identify any issues which could be addressed, and establish a clearer performance measurement and outcomes framework prior to a broader application; and

5.2. s 9(2)(f)(iv)

7. **Note** that I will provide regular updates on progress to the Ministerial Group on the Construction Workforce.

Authorised for lodgement

Hon Willie Jackson

Minister of Employment

In Confidence

Office of the Minister of Education

Chair, Cabinet Economic Development Committee

ACTION PLAN TO DELIVER THE CONSTRUCTION SKILLS STRATEGY – GROWING CONSTRUCTION CAREERS AND CREDENTIALS

Proposal

- 1 On 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders, that the promotion of Group Training Schemes be one of the five priority initiatives in the draft Construction Skills Action Plan [DEV-18-MIN-0094].
- 2 This is a noting paper that discusses sector feedback on the draft initiative and proposes to expand the initiative. The initiative will now also support industry's promotion of construction careers through coordination and encourage greater industry sector engagement with the tertiary education system. This is paper D of a suite of five papers, including a cover paper, seeking agreement to the Action Plan and details of four of the priority initiatives as follows:
 - 2.1 Paper A: Action Plan to Deliver the Construction Skills Strategy;
 - 2.2 Paper B: Leverage Government Procurement;
 - 2.3 Paper C: Establish Additional Jobs and Skills Hubs;
 - 2.4 Paper D: Growing Construction Careers and Credentials; and
 - 2.5 Paper E: Expand Skills for Industry.
- 3 The following two initiatives proposed to be included in the Action Plan have previously been considered by Cabinet:
 - 3.1 Mana in Mahi – Strength in Work [SWC-18-MIN-0084]; and
 - 3.2 Immigration Settings [DEV-18-MIN-0090].

Background

- 4 The construction sector is key to the Government's goals for KiwiBuild, transport, infrastructure (including health and education), and regional development, but the sector is facing constraints. The construction workforce does not have the size and skills to deliver New Zealand's growing pipeline of construction projects.
- 5 The Ministerial Group on the Construction Workforce developed the Construction Skills Strategy and draft Action Plan to address these issues. The vision of the Strategy is that Government collaborates with industry to drive a rapid and

sustainable shift that delivers the right people, at the right time, with the right skills, to meet New Zealand's current and future needs.

- 6 Over the last four years, tertiary education and training for construction-related careers has grown in learner numbers and funding. In 2017, government funding for construction-related education and training was around \$184 million and supported around 46,000 learners. The capacity of the education and training system is not currently a limiting factor to a skilled workforce.
- 7 This initiative aims to grow a skilled construction workforce through three activities that encourage:
 - 7.1 more employers being involved in work-based training;
 - 7.2 more learners choosing construction-related career paths; and
 - 7.3 the tertiary education sector providing fit-for-purpose education that industry values.
- 8 This initiative will:
 - 8.1 encourage more employers to be involved in work-based training through helping promote Group Training Schemes;
 - 8.2 coordinate the promotion of construction careers across the construction sector and tertiary education organisations; and
 - 8.3 support the development of micro-credentials for the construction industry.
- 9 The Cabinet Economic Development Committee initially agreed on 23 May 2018 [DEV-18-MIN-0094] to the promotion of Group Training Schemes being one of the five priority initiatives. Given the sector's feedback on the need for government to partner with it to coordinate the promotion of construction careers and the launch of micro-credentials, I now propose this initiative be broadened and renamed **Growing Construction Careers and Credentials**.
- 10 The Tertiary Education Commission (TEC) will implement and monitor this initiative.

Construction sector feedback was positive but sought a broader approach

- 11 A series of workshops were held in Auckland (28 June), Christchurch (6 July) and Wellington (17 July) with key sector representatives. Feedback from the workshops about promoting Group Training Schemes was generally positive. Employers who were aware of Group Training Schemes liked the role they play in training support and administration. There was also consistent feedback that the role of Group Training Schemes was not widely known and understood across the sector.
- 12 There was feedback across all workshops that there was a significant gap in the coordinated promotion of the range of construction career opportunities. The sector noted the need for:
 - 12.1 coordinating the promotion of construction careers at all levels; and
 - 12.2 developing business capability through training and education.

- 13 Through the tertiary education sector, government has the ability to support the sector's promotional efforts of construction careers, particularly through coordination, information, monitoring and support. It can also ensure greater alignment between training and education and the needs of industry through regulatory and funding frameworks.

Growing Construction Careers and Credentials

- 14 In response to sector feedback, I propose broadening this initiative. In addition to helping promote Group Training Schemes, the initiative will coordinate the industry's promotion of construction careers and support the implementation of micro-credentials.
- 15 TEC has been successful in supporting coordination and collaboration between industry and the tertiary education sector in the engineering sector. TEC, through its engineering e2e (education to employment) programme, helped the engineering sector promote engineering careers, and encourage the education and training system to understand and respond to the needs of the engineering sector.
- 16 Following recent changes to the New Zealand Qualifications Authority's rules, micro-credentials will now be formally recognised. TEC is currently developing its approach to funding micro-credentials so that tertiary education organisations are supported to deliver them for industry.

Promoting Group Training Schemes

- 17 Group Training Schemes are entities that recruit and employ apprentices, and then contract the apprentices to host businesses for work and on-job training. The benefits for apprentices are permanent employment, good support, and a wider range of work-based learning opportunities. The benefits for employers are minimal employment administration and compliance costs, access to developing or semi-skilled labour, and no long-term commitment.
- 18 Group Training Schemes have the potential to increase the number of employers involved in training and to support more young people in apprenticeships. On balance, apprentices employed by these schemes are younger than those employed by other employers. From 2015 to 2017, almost 60% of all apprentices employed through Group Training Schemes were aged 19 years or younger at the time of their enrolment, compared with less than 30% of all other apprentices.
- 19 As part of the Careers in Construction initiative, TEC will work with existing Group Training Schemes to amplify their promotional activities and extend their reach into employer and learner markets. TEC will convene a working group of Group Training Schemes representatives to build on:
- 19.1 current promotional activities across schools, industry and tertiary education organisations;
 - 19.2 existing connections with schools, employers and industry associations;
 - 19.3 understanding gaps in industry and regional coverage, and how these could be addressed;

- 19.4 encouraging new employers to offer work-based training opportunities; and
- 19.5 encouraging currently under-represented groups, in particular women, to consider apprenticeships in the construction industry.

Coordinating the promotion of construction careers

- 20 Promoting careers in the construction industry is the responsibility of the industry. However, Government can help with targeted support to overcome fragmented efforts and create greater leverage across industry activities.
- 21 TEC will form a cross-sector steering group to work on better coordination of the industry's promotional activities of construction careers. To inform the steering group's initial focus and activities, TEC will:
 - 21.1 identify and collate lessons learnt from work already undertaken across TEC;
 - 21.2 complete a stocktake of existing activities and information on construction careers from across industry, tertiary education organisations and relevant agencies;
 - 21.3 work with the sector to identify opportunities for promoting construction careers, particularly to women;
 - 21.4 support the development of an industry plan for promoting construction careers; and
 - 21.5 agree implementation timeframes, roles and responsibilities with the sector and stakeholders.
- 22 To support these activities TEC will also work with the construction sector to:
 - 22.1 investigate the barriers to construction careers for different demographics (such as women) to inform the promotional activities;
 - 22.2 change the perceptions of construction careers by highlighting the wide range of non-technical and non-physical skills involved, and the increasing use of technology; and
 - 22.3 identify the many career opportunities beyond initial construction-related qualifications, both inside and outside of the construction sector.

Supporting the use of micro-credentials

- 23 The cross-sector steering group will also oversee the development and implementation of micro-credentials for the construction industry.
- 24 Through micro-credentials, the tertiary education sector can be more responsive in meeting specific industry needs. As the regulatory framework for micro-credentials is very new and funding approaches are yet to be finalised, it is too early to predict the impact on industry.
- 25 However, as industry has driven the recognition of micro-credentials, I expect that over time, the construction industry will identify appropriate opportunities for micro-credentials. These are likely to span trades, technical, and professional activities.

- 26 TEC will support the construction industry to work with tertiary education organisations to explore, develop and implement micro-credentials that build industry capability. TEC has already supported the Building and Construction Industry Training Organisation to pilot micro-credentials, and the engineering sector as part of the engineering e2e initiative.

Developing a longer-term approach for future Construction Skills Action Plans

- 27 TEC, in conjunction with the sector, tertiary education organisations and relevant agencies, will review progress on this action by mid-2019.
- 28 TEC will support the cross-sector steering group to identify focus areas and future actions for the tertiary education sector.

Aligning with the other initiatives in the Construction Skills Action Plan

- 29 This initiative supports the other initiatives outlined in the Construction Skills Action Plan.
- 30 Through the Leverage Government Procurement action, we will incentivise construction firms to take on new apprentices and provide training for existing staff. A more coordinated approach to construction careers and the SWEP Jobs and Skills Hubs will encourage more people to consider construction as a career, and link employers to the support available to the other initiatives. The promotion of Group Training Schemes will make them more visible to a wider range of construction employers, and make it easier for new entrants to the sector to find an apprenticeship.
- 31 In helping the industry to promote construction careers and develop micro-credentials, we will help create learner interest in the Jobs and Skills Hubs, Mana in Mahi, and Skills for Industry initiatives.

Further engagement and analysis is now needed to better inform the proposed broader action

- 32 As I am now recommending that the initial action consulted on should be broadened in response to sector feedback, further work is required to develop a more detailed approach. I expect TEC's cross sector steering group to be a significant driver in this. I will report back to the Ministerial Group on the Construction Workforce on this initiative when it has been fully scoped and planned.
- 33 I have a number of work programmes within my Education portfolio that will help address some of the broader issues affecting the education and training for construction workforce. This includes the reviews of foundation education and vocational education and training.

Outcomes from sector consultation

- 34 Feedback from the targeted consultation generally confirmed the positive impact of Group Training Schemes on the construction sector. However, as previously noted, this paper proposes expanding the initiative to work with the sector on coordinating its promotion of construction careers.

Impact on the workforce

- 35 In 2017, around 46,000 people were in construction-related education and training, across transition programmes, and from work-based apprenticeships through to professional qualifications. Achieving a 5% increase in enrolments in construction-related education and training would mean nearly 50,000 people working towards careers in the construction sector.
- 36 I expect this action to have a positive impact on the diversity of learners in construction-related education and training over time. TEC's monitoring role will create baseline data from which progress can be measured.

Cost

- 37 The cost of this initiative for 2018 and 2019 will be met through the Industry Training Fund administered by TEC. This Fund allows up to \$3.5 million annually to be spent on industry training-related projects.
- 38 This work will leverage off TEC's current functions, the work of the construction sector, industry associations, industry training organisations, tertiary providers, and other agencies such as the Ministry of Education and the Ministry of Business, Innovation and Employment.

Implementation

- 39 The implementation of this initiative will be phased.
- 40 TEC will commence activities in September 2018, with an initial focus on establishing a cross-sector steering group, and compiling information and analysis. A stocktake of careers information and research will be complete by early 2019. Activities to support existing Group Training Schemes extend their promotional reach and impact will begin in late 2018. Work on micro-credentials will also begin in late 2018.
- 41 A review of progress across all activities will be undertaken by July 2019.

Constraints

- 42 Constraints on the initiative's success are likely to come from perceptions of construction careers, and the ability of the industry and tertiary education sector to engage and respond.
- 43 The initial impact of micro-credentials is likely to be greatest across the existing construction workforce through improved quality and productivity.
- 44 Ensuring coordination is effective and collaborative activities are well-planned and supported will help address constraints. Changing perceptions of construction careers is a longer-term objective and will need to be recognised as such.

Risks

- 45 This action is relatively low risk and can be implemented reasonably quickly. Results may take longer to achieve. As the construction industry is very fragmented,

coordinating and collaborating across trades, technical and professional interests, and the tertiary education sector will require TEC to be agile and responsive in its role. This risk is mitigated by TEC's proven capability with the engineering sector and its ability to leverage off the lessons learnt in that sector.

Monitoring and Review

- 46 I will report regularly to the Ministerial Group on the Construction Workforce.
- 47 TEC will review the action in mid-2019 and report back to me on its effectiveness. I

9(2)(f)(iv)

Consultation

- 48 The Ministry of Business, Innovation and Employment, Ministry of Education, Ministry for Pacific Peoples, Ministry for Women, Te Puni Kōkiri, Treasury, and the Department of the Prime Minister and Cabinet were consulted on this paper.

Financial Implications

- 49 All financial implications of the proposal can be met within current funding for industry training.

Legislative Implications

- 50 There are no legislative implications.

Human Rights

- 51 This paper has no human rights implications.

Gender and Diversity Implications

- 52 For the last four years, only 2% of all construction-related apprentices were women, compared with 8-9% of all apprenticeships. The proportion of Māori and Pasifika apprentices across all industries has increased slightly over the last years (from 13% to 15% for Māori, and from 4% to 6% for Pasifika). For Māori and Pasifika, these rates are more representative of the population.
- 53 Businesses need to better recognise the value of diversity in the workplace. In order to meet skills shortages in the construction sector, employers will need to recruit from different population groups than they have done traditionally.
- 54 Over the next three years, I expect to see enrolments increase in construction-related tertiary education and training across under-represented population groups.

Disability Perspective

- 55 I expect this initiative to also consider how the transitions of disabled people into employment and further training within construction industries can be better supported.

Publicity

- 56 No publicity on this specific initiative is planned. Publicity relating to the Construction Skills Action Plan is detailed in the cover Cabinet paper.

Proactive Release

- 57 I recommend this paper is proactively released.

Recommendations

The Minister of Education recommends that the Committee:

1. **Note** that on 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders, that the promotion of Group Training Schemes be one of the five priority initiatives in the draft Construction Skills Action Plan [DEV-18-MIN-0094];
2. **Note** that this paper is one of a suite of papers;
3. **Note** that a coordinated approach to the range of career opportunities available in the construction sector was identified as a significant gap in the Action Plan;
4. **Agree** that the scope of the initiative previously referred to as “Promote Group Training Schemes” is widened to address this gap by coordinating a more focused cross-sector approach to promoting construction careers and supporting the development of micro-credentials, in addition to promoting Group Training Schemes; and
5. **Note** that I will provide regular updates on progress to the Ministerial Group on the Construction Workforce.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

In Confidence

Office of the Minister for Social Development
Chair, Cabinet Economic Development Committee

ACTION PLAN TO DELIVER THE CONSTRUCTION SKILLS STRATEGY – EXPAND SKILLS FOR INDUSTRY

Proposal

1. On 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders, that Expand Skills for Industry be one of the five priority initiatives in the draft Construction Skills Action Plan [DEV-18-MIN-0094].
2. This paper provides the details of the Expand Skills for Industry initiative for inclusion in the final Action Plan.
3. This is Paper E of a suite of five papers, including a cover paper, seeking agreement to the Action Plan and details of four of the priority initiatives as follows:
 - 3.1. Paper A: Action Plan to Deliver the Construction Skills Strategy;
 - 3.2. Paper B: Leverage Government Procurement;
 - 3.3. Paper C: Establish Additional Jobs and Skills Hubs;
 - 3.4. Paper D: Growing Construction Careers and Credentials; and
 - 3.5. Paper E: Expand Skills for Industry.
4. The following two initiatives proposed to be included in the Action Plan have previously been considered by Cabinet:
 - 4.1. Mana in Mahi – Strength in Work [SWC-18-MIN-0084]; and
 - 4.2. Immigration Settings [DEV-18-MIN-0090].

Executive Summary

5. The Ministry of Social Development (MSD) Skills for Industry programme partners with industry (employers and training providers) to provide industry-specific training for MSD job seekers immediately prior to or in employment, across a number of sectors at a national, regional and local level.
6. The Expand Skills for Industry initiative included in the draft Action Plan comprised:
 - 6.1. prioritising construction-related Skills for Industry programmes within its current framework; and

6.2. expanding engagement to more industry partners.

7. These two aspects are being undertaken in the 2018/2019 financial year. I recommend that these are included in an Expand Skills for Industry initiative under the final Action Plan.

8. 9(2)(f)(iv) - Active Consideration

[Redacted]

9. Construction is a priority sector within Skills for Industry, making up 31.2 percent of forecast funding in the 2017/2018 financial year for 1,192 participants. MSD officials will continue to prioritise construction-related programmes within the current framework over the course of the 2018/2019 financial year, and will prioritise the creation of new partnerships in the construction sector.

10. As an indication of the priority that construction is being given within Skills for Industry, MSD's Industry Partnerships team (which is responsible for national Skills for Industry programmes) forecasts an additional 9(2)(b)(ii) expenditure for the construction sector in the 2018/2019 financial year. This funding is from within current baselines. This is expected to result in at least 150 additional Skills for Industry places (i.e. participants) in the construction sector in the coming financial year (subject to industry demand).

11. Additional Skills for Industry places cannot be assumed to result in one-for-one growth in the construction workforce, due to potential substitution and displacement effects. Also, not all MSD employment and work readiness places result in job seekers immediately obtaining sustainable employment.

12. 9(2)(f)(iv)

[Redacted]

13. 9(2)(f)(iv)

[Redacted]

Background

14. The construction sector is key to the Government's goals for KiwiBuild, transport, infrastructure (including health and education) and regional development, but it is facing constraints. The construction workforce does not have the size and skills to deliver New Zealand's growing pipeline of construction projects.

15. The Ministerial Group on the Construction Workforce developed the Construction Skills Strategy and draft Action Plan to address these issues. The vision of the Strategy is that Government collaborates with industry to drive a rapid and sustainable shift that delivers the right people, at the right time, with the right skills, to meet New Zealand's current and future needs.

16. The Cabinet Economic Development Committee agreed in principle on 23 May 2018 to, subject to consultation with construction sector stakeholders, Expand Skills for Industry as one of the five priority initiatives that make up the draft Action Plan [DEV-18-MIN-0094].
17. The description of the Expand Skills for Industry initiative in the draft Action Plan comprised:
 - 17.1. prioritising construction-related Skills for Industry programmes within its current framework; and
 - 17.2. expanding engagement to more partners through a government sector engagement strategy and other initiatives, such as government procurement.
18. 9(2)(f)(iv) [REDACTED]

Current Skills for Industry Programme

19. Skills for Industry allows for planned, strategic partnerships with industry and employers, to achieve long-term engagement with partners for the benefit of all parties, including job seekers. These partnerships create employment opportunities for job seekers, and help address skills and labour shortages in the industries it is involved with.
20. Skills for Industry training packages usually include:
 - 20.1. entry-level training (such as workplace safety training);
 - 20.2. industry-specific training (such as on-machine or on-tools training, or compliance-based training and licensing);
 - 20.3. help getting a job; and
 - 20.4. on-the-job training once people start work.
21. MSD rated Skills for Industry as an effective intervention in its Effectiveness of MSD employment assistance report for the 2014/2015 financial year (published in July 2017).
22. As at 31 May 2018:
 - 22.1. 1,192 people started in construction-related Skills for Industry places in the 2017/2018 financial year (28.4 percent of all Skills for Industry participants);
 - 22.2. total forecasted expenditure for Skills for Industry in the 2017/2018 financial year was 9(2)(b)(i) [REDACTED]; and
 - 22.3. forecasted construction expenditure was 9(2)(b)(ii) [REDACTED] (31.2 percent of total forecasted Skills for Industry expenditure).

23. The level of construction-related Skills for Industry expenditure varies significantly across regions. These regional differences highlight the effect that industry demand can have on Skills for Industry expenditure. For example, as a proportion of Skills for Industry, in the 2017/2018 financial year it represented:
- 23.1. 24.0 percent in Auckland;
 - 23.2. 54.6 percent in Waikato; and
 - 23.3. 3.4 percent in the East Coast.
24. Based on data for 2017/2018, as at 31 May 2018, construction-related Skills for Industry had the following characteristics:
- 24.1. 9(2)(b)(ii) [REDACTED]
 - 24.2. rates of participants being off-benefit at eight weeks after the end of the Skills for Industry programme: 61 percent (57 percent average for all Skills for Industry);
 - 24.3. participants who were Sole Parent Support recipients (who are predominantly women): five percent (seven percent for all Skills for Industry);
 - 24.4. participants who were in the Job Seeker – Health Condition or Disability category: 11 percent (nine percent for all Skills for Industry); and
 - 24.5. Māori participants: 54 percent (44 percent for all Skills for Industry).
25. The current measure used to report on outcomes for Skills for Industry is the rate of participants being off-benefit at eight weeks after the end of the programme. A measure of sustainable employment outcomes would complement this. MSD officials are currently exploring opportunities for improving Skills for Industry reporting.
26. Skills for Industry is not the only MSD programme that provides support to MSD job seekers to enter the construction industry. For example, in the 2017/2018 financial year Flexi-wage (a wage subsidy paid to employers) was forecast to spend [REDACTED] 9(2)(b)(ii) in the construction sector (18.6 percent of total Flexi-wage funding) for 1,153 participants (18.6 percent of Flexi-wage participants).
27. MSD also facilitates ‘non-funded’ construction placements, i.e. matching its job seekers to listed vacancies. As at 31 May 2018, 1,422 non-funded placements were recorded in the construction sector for the 2017/2018 financial year.

Construction-related Skills for Industry programmes are being prioritised within the current framework

28. Further work since the draft Action Plan was developed has confirmed that the construction sector is a priority for Skills for Industry funding, with construction being the largest Skills for Industry sector. MSD officials will continue to prioritise the

construction sector within Skills for Industry, and to undertake any additional expansion that becomes possible within the 2018/2019 financial year.

29. As an indication of the continued priority that construction is being given within Skills for Industry, MSD's Industry Partnerships team (which is responsible for national Skills for Industry programmes and partnerships) forecasts an extra 9(2)(b)(ii) expenditure for the construction sector in the 2018/2019 financial year over the 2017/2018 financial year. This funding is from within current baselines.
30. The Industry Partnerships team has developed its purchase plan for the 2018/2019 financial year, which forecasts an increase from 9(2)(b)(ii) committed expenditure in the 2017/2018 financial year to 9(2)(b)(ii) forecast expenditure in the 2018/2019 financial year.
31. This funding is expected to be directed to places that reflect the current average cost for construction-related Skills for Industry. Subject to negotiations with partners, this additional 9(2)(b)(ii) could result in at least 150 additional places in the construction sector in the coming financial year (subject to industry demand).
32. There may be an opportunity to further increase the level of funding for construction-related Skills for Industry throughout the course of the 2018/2019 financial year, depending on:
 - 32.1. levels of construction-industry demand for Skills for Industry and the supply of suitable job seekers who want to enter the construction sector;
 - 32.2. factors external to the construction industry that will determine whether additional funding is available, including the industry demand for Skills for Industry in other sectors and other MSD funding requirements;
 - 32.3. the impact that reallocating funding across Skills for Industry sectors would have on existing partnerships and the ability to respond to future growth in different sectors; and
 - 32.4. the internal MSD resourcing for creating and managing construction-related industry partnerships: this resource will also be required to initiate Phase One of Mana in Mahi – Strength in Work over the 2018/2019 financial year, which will create additional pressure.
33. MSD officials will prioritise construction-related Skills for Industry programmes when considering further funding over the 2018/2019 financial year, but I note that decisions will reflect the need for MSD generally, and the Skills for Industry programme specifically, to provide a comprehensive service to its job seekers.

Expanding engagement to more industry partners

34. MSD continuously engages with the construction industry, and there may be opportunities in the 2018/2019 financial year to form new partnerships with more employers or training providers. The majority of the additional construction-related 9(2)(b)(ii) funding for MSD's Industry Partnerships team is expected to respond to demand from current key partnerships in the 2018/2019 financial year. However, MSD officials will also seek opportunities for new partnerships.

35. Leveraging government procurement (as discussed in Paper B of this suite of papers) may provide an opportunity to increase the number of Skills for Industry partnerships in the construction sector. This would allow Skills for Industry to be closely aligned to specific demand. It will be important that close consultation occurs between MSD and government agencies undertaking construction and infrastructure procurement once the leveraging government procurement initiative is implemented. Close consultation with industry will also be important.

9(2)(f)(iv) [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

9(2)(f)(iv)

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Expand Skills for Industry sits within a broader package of initiatives

- 48. One of the key drivers for the number of places available in different sectors under the Skills for Industry programme is the industry demand for the programme. Other initiatives within the Action Plan are likely to affect this demand.
- 49. Mana in Mahi – Strength in Work could affect demand for Skills for Industry, depending on the final design of this programme. If Mana in Mahi – Strength in Work includes pre-employment training for certain participants, and employers use this new scheme for employees that would otherwise have been referred to Skills for Industry, this could reduce demand. Alternatively, Skills for Industry could act as a pipeline for Mana in Mahi – Strength in Work, in which case the new programme may increase demand.
- 50. Leveraging government procurement may increase demand for Skills for Industry, as it will provide an opportunity to encourage employers to engage with Skills for Industry. This could help MSD to expand Skills for Industry to more industry partners.
- 51. Further work is required to understand the impacts of the interaction of Skills for Industry with government procurement. MSD officials will continue this work with other Ministerial Group on the Construction Workforce agencies. 9(2)(f)(iv)
- 52. 9(2)(f)(iv)

Outcomes from sector consultation

53. Feedback from sector consultation workshops indicated that the construction industry would like to see Skills for Industry support (or similar services, including Mana in Mahi – Strength in Work) provided to other groups as well as beneficiaries (for example school leavers), and to provide a pathway for adults in the workforce who want to retrain. 9(2)(f)(iv)
54. Some industry feedback noted it is important that new employees, particularly those entering the sector from the benefit system, are those who want a career in the construction sector and are not entering the sector simply due to requirements to find work. MSD notes that this is a key aspect of the potential to expand Skills for Industry, because as noted elsewhere in this paper this will depend on the availability of job seekers who are not only suitable, but are also willing. Aspects of the Action Plan that promote construction careers are expected to support this supply of willing job seekers by improving perceptions of the construction sector as a career.
55. Other feedback included industry stakeholders noting that there is often a requirement for high levels of pastoral care associated with Skills for Industry, and that it is important to match the right people to the right roles. MSD agrees with these points, and notes that these are important aspects of the current Skills for Industry model. However, the feedback has highlighted that this is not widely known by those employers which do not already use Skills for Industry, and therefore highlights that consultation and communication of the details of Skills for Industry will be an important part of expanding to more industry partners.

Impact on the workforce

56. The additional 9(2)(b)(ii) funding for MSD's Industry Partnerships team this year is expected to lead to at least 150 additional construction-related Skills for Industry places in the 2018/2019 financial year when compared to the 2017/2018 financial year (subject to industry demand).
57. If current outcome rates continue, 150 additional places in the 2018/2019 financial year can be expected to result in around 90 participants being off-benefit at eight weeks after the Skills for Industry programme ceases. 9(2)(f)(iv)
58. It should be noted that additional places, and resulting employment outcomes, would not necessarily represent one-for-one growth in the construction workforce due to potential displacement effects (where subsidised labour reduces employment among competing firms) and substitution effects (where a participant takes a vacancy that would otherwise have been filled by someone else).

Implementation

- 59. The additional 9(2)(5)(ii) for MSD’s national construction-related Skills for Industry partnerships and programmes will begin to be used immediately. My officials may allocate further funding over the course of the 2018/2019 financial year.
- 60. 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]

Constraints

- 61. There is a lead time for creating and expanding the partnerships necessary to increase the number of construction-related places through Skills for Industry. As previously noted, leveraging government procurement (another of the priority initiatives under the Action Plan) may provide a strong mechanism for creating these partnerships, but this is likely to be a longer-term change.
- 62. One of the major potential constraints on the extent to which construction-related Skills for Industry programmes can be further prioritised or expanded is the demand from the construction sector, as Skills for Industry is typically a demand-led programme. Expanding to more industry partners (enabled by the Action Plan) and close consultation with partners to ensure that Skills for Industry continues to support their needs are expected to mitigate the risk of a reduction in demand.
- 63. Another potential constraint on the prioritisation or expansion of construction-related Skills for Industry programmes is the supply of suitable MSD job seekers who want to enter the construction sector. This supply may vary by region and over time. Aspects of the Action Plan that promote construction careers are expected to support this supply of willing job seekers by improving perceptions of the construction sector as a career.

Monitoring and review

- 64. I will report back to the Ministerial Group on the Construction Workforce:
 - 64.1. 9(2)(f)(iv) [Redacted]
[Redacted]
 - 64.2. 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
 - 64.3. 9(2)(f)(iv) [Redacted]
[Redacted]
 - 64.4. 9(2)(f)(iv) [Redacted]
[Redacted]
[Redacted]
- 65. MSD is able to report on the outcomes achieved through Skills for Industry, and the recipients of funding through this programme. MSD also regularly reviews the

effectiveness of its employment interventions (including Skills for Industry) and publicly releases the results of these reviews.

66. However, there are currently limitations in reporting Skills for Industry funding by sector. This is a manual process, rather than being system-based. The reporting is resource intensive and this is likely to limit the frequency of the reporting that is possible. My officials are currently exploring improvements to this reporting, including outcome measures.

Consultation

67. The Ministry of Business, Innovation and Employment, the Ministry of Education, the Ministry for Pacific Peoples, the Ministry for Women, Te Puni Kōkiri, the Treasury and the Department of the Prime Minister and Cabinet were consulted on this paper.

Financial Implications

68. There are no direct financial implications arising from this paper.
69. Additional funding for construction-related Skills for Industry programmes in the 2018/2019 financial year will be undertaken within existing baselines.

70. 9(2)(f)(iv) [Redacted]

71. 9(2)(f)(iv) [Redacted]

72. 9(2)(f)(iv) [Redacted]

73. 9(2)(f)(iv) [Redacted]

74. 9(2)(f)(iv) [Redacted]

Legislative Implications

75. There are no legislative implications arising from this paper.

Impact Analysis

76. A Regulatory Impact Analysis is not required.

Human Rights

77. There are no human rights implications arising from this paper.

Gender Implications

78. Increasing construction-related Skills for Industry programmes relative to other sectors may reduce the average rate of Skills for Industry participants who are Sole Parent Support recipients (if current participation rates continue – currently five percent of participants for construction-related Skills for Industry, and seven percent for all Skills for Industry). Sole Parent Support recipients are predominantly women.
79. MSD will explore opportunities for targeting specific cohorts, including women, when expanding construction-related Skills for Industry.

Disability Perspective

80. Increasing construction-related Skills for Industry programmes relative to other sectors may increase the average rate of Skills for Industry participants who are in the Job Seeker – Health Condition or Disability category (if current participation rates continue – currently 11 percent of participants for construction-related Skills for Industry, and nine percent for all Skills for Industry).
81. MSD will explore opportunities for targeting specific cohorts, including disabled people, when expanding construction-related Skills for Industry.

Publicity

82. I will coordinate with the Ministerial Group on the Construction Workforce with regard to publicity related to the Action Plan.

Proactive Release

83. I propose to proactively release this paper. This release will be subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Social Development recommends that the Committee:

1. **note** that on 23 May 2018, the Cabinet Economic Development Committee agreed in principle, subject to consultation with construction sector stakeholders, that Expand Skills for Industry be one of the five priority initiatives in the draft Construction Skills Action Plan [DEV-18-MIN-0094];
2. **note** this paper is one of a suite of papers, seeking agreement to the details of the initiatives that make up the Action Plan;
3. **note** that construction is currently the largest sector within Skills for Industry by funding, making up 31.2 percent of forecast expenditure in the 2017/2018 financial year;

4. **note** that MSD is investing an additional 9(2)(b)(ii) on construction-related Skills for Industry national programmes and partnerships in the 2018/2019 financial year compared to the 2017/2018 financial year, which can be expected to result in at least 150 additional construction-related Skills for Industry places (subject to industry demand and job seeker supply);
5. 9(2)(f)(iv) [Redacted]
6. 9(2)(f)(iv) [Redacted]
7. 9(2)(f)(iv) [Redacted]
8. 9(2)(f)(iv) [Redacted]
9. 9(2)(f)(iv) [Redacted]
10. 9(2)(f)(iv) [Redacted]

Authorised for lodgement
Hon Carmel Sepuloni
Minister for Social Development

Chair
Cabinet Social Wellbeing Committee

PHASED IMPLEMENTATION PLAN FOR MANA IN MAHI – STRENGTH IN WORK (DOLE FOR APPRENTICESHIPS)

Proposal

- 1 This paper responds to the invitation from the Cabinet Business Committee in December 2017 to report back on the Dole for Apprenticeships scheme [CBC-17-MIN-087 refers].
- 2 In addition, this paper seeks Cabinet agreement to Phase One of Dole for Apprenticeships and to call this initiative “Mana in Mahi – Strength in Work”, in line with feedback from young people and employers.

Executive summary

- 3 Dole for Apprenticeships’ primary focus is to support 18-24 year olds in receipt of main income support benefits¹, however referrals can be made for people outside this age group who could benefit from the programme, which may include younger people in receipt of the Youth Payment or Young Parent Payment.
- 4 This initiative is designed to achieve sustainable employment outcomes, particularly in industry sectors where there are skill shortages.^{9(2)(f)(iv) - Active Consideration}
[REDACTED]
- 5 I am proposing to use “Mana in Mahi – Strength in Work” as a replacement name for Dole for Apprenticeships. This is in response to feedback from young people and employers, who said the name “Dole for Apprenticeships” has negative connotations and a more aspirational name is needed.
- 6 The young people this initiative focuses on are expected to be people with high needs, with complex circumstances that will require intensive support and services to achieve successful outcomes. Existing schemes, while effective for some, do not sufficiently cater for all young people.
- 7 Mana in Mahi – Strength in Work will pay a wage subsidy to employers who are willing to hire a person in receipt of a main income support benefit and offer that person an industry training qualification, including apprenticeships. The wage subsidy would be equivalent to one year of the Jobseeker Support rate, approximately \$9,750. Additional supports for young people and employers will also be required in order to ensure participants access and succeed in industry training.^{9(2)(f)(iv)}
[REDACTED]
- 8 Up to \$4 million for 2018/2019 has been allocated for Phase One of Mana in Mahi – Strength in Work. This money will be used to fund up to 150 places (depending on employer demand)

¹ These are Jobseeker Support (including Jobseeker Support – Health Condition, Injury or Disability), Sole Parent Support and Supported Living Payment.

and other Phase One associated costs, such as employer engagement, process and evaluation.

- 9 The full design of Mana in Mahi – Strength in Work will encompass different industry training qualifications, including but not limited to apprenticeships, in order to reflect how the industry training system works. Depending on the sector, formal industry training certification can be achieved in a number of ways. Some industry sectors require a Level 4 New Zealand Apprenticeship from the beginning, and others allow for smaller qualifications so learners can staircase up to Level 4 qualifications. Any of these qualifications would provide the learner with specific occupational skills that are valued by industry and that can lead to sustainable employment opportunities.
- 10 This paper outlines the phased approach that I, in consultation with the Minister for Social Development, plan to take to implement Mana in Mahi – Strength in Work ^{9(2)(f)(iv)}

Background

- 11 The Coalition Agreement includes a commitment to introduce programmes for long-term unemployed to improve work readiness, such as Ready for Work². The Parties recognise and share the long-term view that we need to do more to support young people into employment, education or training. The speech from the Throne also mentions that this Government will support apprenticeships with incentives for employers to take on unemployed young people as apprentices. Dole for Apprenticeships falls under these commitments.
- 12 The Minister for Social Development and I have joint responsibility for delivering this initiative. I have responsibility for the policy development and programme design, while the Minister for Social Development has operational responsibilities, including funding decisions regarding Vote Social Development.

I seek Cabinet support to name Dole for Apprenticeships as Mana in Mahi – Strength in Work

- 13 Initial feedback from the Ministry of Social Development's (MSD) engagement with young people suggests they are put off by the "Dole for Apprenticeships" name and they would like a more aspirational brand. For them the word "dole" has negative connotations. Many of the young people also did not have a firm understanding of what an apprenticeship was.
- 14 Employers have expressed concerns about the name "Dole for Apprenticeships" unintentionally reinforcing negative perceptions of the value of apprenticeships. Also, this initiative will focus on the broader spectrum of industry training qualifications not just apprenticeships, so the name "Dole for Apprenticeships" could be misleading.
- 15 Dole for Apprenticeships needs to appeal to employers and young people. Therefore, I am seeking Cabinet support to change the name Dole for Apprenticeships to "Mana in Mahi – Strength in Work". I am proposing to use "Mana in Mahi – Strength in Work" for the prototype programme under Phase One.

² I am currently working with my officials to develop the Ready for Work initiative.

Mana in Mahi – Strength in Work is also part of the Action Plan to deliver the Construction Skills Strategy

- 16 The Ministerial Group on the Construction Workforce, for which the Minister for Building and Construction is Chair, is finalising an Action Plan to deliver the Construction Skills Strategy [DEV-18-MIN-0094]. Mana in Mahi – Strength in Work is one of the five key initiatives in the Action Plan, although it has a broader focus than just construction.
- 17 The success of Mana in Mahi – Strength in Work will depend on the support of employers as well as their ability and willingness to open up industry training opportunities, including apprenticeships. The Action Plan will provide a number of opportunities for Mana in Mahi – Strength in Work to access and encourage the participation of more employers in the construction sector.
- 18 The inclusion of Mana in Mahi – Strength in Work in the Construction Skills Action Plan creates a complementary package of initiatives. For example, a construction firm could use Skills for Industry to find a person seeking an apprenticeship or broader industry training and, if eligible, then use Mana in Mahi – Strength in Work to subsidise their wages.
- 19 Leveraging government procurement is another key initiative within the Construction Skills Action Plan. Government procurement of construction and infrastructure projects will be used to incentivise firms to invest in skills training and development. A government infrastructure procurement contract could recognise an employer's involvement in Mana in Mahi – Strength in Work under requirements for skills development and training.
- 20 The Minister for Building and Construction is planning to take a paper to Cabinet in August seeking final agreement on the Action Plan. I am seeking agreement to share this paper with the Cabinet Economic Development Committee so they can see the details of the Mana in Mahi – Strength in Work initiative when they consider the Action Plan in August.

Mana in Mahi – Strength in Work's primary aim is to assist young people into sustainable employment but will also help address skill shortages

- 21 This government is committed to supporting people to achieve sustainable employment. Although existing programmes may be effective for some, they do not work for all young people. This is the case for some young people who engage with MSD and who this initiative will focus on.
- 22 These young people face multiple challenges and require intensive services and supports to achieve and maintain successful outcomes. Some significant barriers faced by young people include, but are not limited to: low literacy levels, alcohol and drug addictions, domestic violence, historical bullying and lack of whānau and/or community support.
- 23 Although the current unemployment rate is relatively low at 4.4 percent, there is still work to do for young people.

Table 1. NEET rates for 15-24 year olds (seasonally unadjusted)

	NEET rate (% of all 15-24 year olds)
Total (March 2018)	13.2
Māori (March 2018)	21.3
Pacific (March 2018)	19.3
Disabled (June 2017)	42.3

- 24 As at March 2018, the seasonally unadjusted rate of young people aged 15-24 that are not in employment, education or training (NEET) was 13.2 percent³. The NEET rate is even higher for young Māori and Pacific young people. Around 21.3 percent of Māori who are aged 15-24 years old are NEET. For Pacific young people, this rate is 19.3 percent. In June 2017, the NEET rate for young disabled people aged 15-24 was 42.3 percent⁴.
- 25 As its primary objective, Mana in Mahi – Strength in Work will aim to assist young people to achieve sustainable employment outcomes. The programme will support the participation of and improve employment outcomes for all young people, including Māori, Pacific and disabled people.
- 26 Over the December 2017 quarter, it was reported that around half of businesses had trouble finding skilled labour and around a third had trouble finding unskilled labour⁵. Helping address skill shortages will be a secondary objective of Mana in Mahi – Strength in Work. The programme will help young people to complete industry training qualifications in sectors where there are skill shortages if the sector provides sustainable employment opportunities.

Mana in Mahi – Strength in Work will work with existing initiatives that support young people into training and employment

- 27 There are a number of programmes in the education system that help to ensure young people are better prepared for successful transitions into sustainable employment. These programmes will be taken into consideration for the full design of Mana in Mahi – Strength in Work.
- 28 Secondary-Tertiary Programmes and initiatives, such as Trades Academies and Gateway, enable young people to combine enrolment in senior secondary school with vocational education and training options in tertiary education or the workplace. These programmes are designed to support education engagement and achievement, and provide clear pathways into further study and employment. Youth Guarantee Fees-Free provides foundation tertiary education at Levels 1 to 3, aligned to a Vocational Pathway, for young people aged 16-19 who have left school with low or no qualifications.
- 29 There are also programmes that specifically support Māori and Pacific learners. For example, Māori and Pasifika Trades Training (MPTT) supports Māori and Pacific people aged 16-40 to participate and achieve pre-trades training. MPTT also supports these people to transition into workplace-based training at higher levels (including New Zealand Apprenticeships) and sustainable trades, or trades-related employment.

³ The seasonally adjusted rate was 12.4 percent.

⁴ Disability data is only collected once a year.

⁵ *Quarterly Labour Market Report February 2018*, Ministry of Business, Innovation and Employment.

- 30 Currently there are a range of programmes that deliver employment outcomes for young people. Mana in Mahi – Strength in Work is expected to complement and build on these and other initiatives that help young people transition into employment. Mana in Mahi – Strength in Work is being carefully designed to avoid any unhelpful overlaps while addressing long running employment issues that these other programmes may not be.

A phased implementation of Mana in Mahi – Strength in Work will ensure the initiative is fit for purpose and effective

- 31 Mana in Mahi – Strength in Work will pay a wage subsidy to employers who are willing to hire a person in receipt of a main income support benefit, and offer that person an industry training qualification, including apprenticeships. The wage subsidy would be equivalent to one year of the Jobseeker Support rate (approximately \$9,750). The focus is on 18-24 year olds, however referrals can be made for people outside this group age group who could benefit from the programme, which may include younger people in receipt of the Youth Payment or Young Parent Payment.
- 32 There are a number of design aspects of Mana in Mahi – Strength in Work that still need to be worked through, such as the kind of supports employers and young people would need during the programme. For example, employers may need supports to provide a “youth friendly” work environment. Participants may need supports such as intensive case management, resilience and confidence training, in-work support and work readiness development (e.g. driver licensing or pre-employment training).
- 33 Initial estimates done by MSD suggest that supports for young people would cost between \$3,000 and \$6,000 per person. This cost is based on MSD’s experience contracting community-based providers to provide a range of services, such as pastoral care, mentoring, and supports to increase motivation and address social and health needs.
- 34 9(2)(f)(iv) [REDACTED] This funding would be in addition to the Government training subsidy (around \$5,200 per learner in a New Zealand Apprenticeship), which is paid to industry training organisations (ITOs) for the assessment and arrangement of training as well as the provision of some pastoral care.
- 35 These costs are indicative only and further work needs to be done to finalise these costings. Some level of benefit savings may occur, although this is not expected to reflect one-for-one savings.
- 36 Pending your approval, I will progress the implementation of Mana in Mahi – Strength in Work through a phased approach. This approach allows more time for this initiative to be designed, while enabling testing of aspects of the design to start as soon as possible. MSD has set aside up to \$4 million in 2018/2019 from Vote Social Development to fund Phase One of Mana in Mahi – Strength in Work.
- 37 Pending Cabinet approval, the phased implementation approach has two overlapping stages.
- 37.1 Phase One (2018/2019) is focused on implementing a prototype programme now while engaging with young people and employers to inform the full design of Mana in Mahi – Strength in Work.
- 37.2 Phase Two 9(2)(f)(iv) [REDACTED] is about fully implementing Mana in Mahi – Strength in Work, 9(2)(f)(iv) [REDACTED]

38 Lessons learned and insights gained from Phase One will inform the final design of Mana in Mahi – Strength in Work and 9(2)(f)(iv) [REDACTED]. Phase Two will also build on the employer relationships established during the prototype programme in Phase One to increase the scale of the programme.

39 The prototype programme in Phase One will start in August 2018. 9(2)(f)(iv) [REDACTED]

[REDACTED] An evaluation of the prototype would inform implementation and ongoing improvements to the full Mana in Mahi – Strength in Work programme.

Engagement with young people and employers is underway

40 MSD is currently undertaking an engagement process with young people and employers (including small and medium enterprises – SMEs). This engagement process is providing useful insights, including a better understanding of:

40.1 the support that young people need to successfully undertake industry training

40.2 what motivates young people to participate and engage in industry training

40.3 the support employers would need to provide a “youth friendly” environment

40.4 the challenges the labour market poses and how people are trained to meet the future demands of the market, especially for construction.

41 Engagement with construction sector employers and industry representatives is occurring through the targeted consultation process for the Action Plan to deliver the Construction Skills Strategy. This engagement process is being led by the Ministry of Business, Innovation and Employment.

42 Insights and lessons learned through these processes and the Phase One prototype programme will inform the full design of Mana in Mahi – Strength in Work under Phase Two.

43 Based on engagement to date, MSD has already identified some key components that will be tested in Phase One. These include:

43.1 9(2)(j) - Commercial and Industrial Negotiation [REDACTED]

43.2 redesigning a “youth friendly” on-boarding and induction process

43.3 supporting employers to redesign job advertisements so they can recruit the right candidate for the role, and set clear expectations with young people applying for employment.

Phase One 2018/2019 – implementing a prototype programme to test aspects of Mana in Mahi – Strength in Work

44 Phase One will test aspects of Mana in Mahi – Strength in Work leveraging off elements of an existing contracting model (MSD’s Skills for Industry⁶) to create a new programme. This

⁶ Skills for Industry is an MSD contracting model that allows for industry-specific training for MSD job seekers, either prior to or while in employment, across a number of sectors.

prototype will start in financial year 2018/2019 and it is expected to run for approximately 12 months.

- 45 The purpose of the prototype programme under Phase One is to focus on securing industry training opportunities (including apprenticeships) and building relationships with employers to inform the design of and support the full implementation of Mana in Mahi – Strength in Work in Phase Two.
- 46 For the Phase One prototype programme, MSD will refer young people who are relatively more work ready. The full implementation of Mana in Mahi – Strength in Work under Phase Two will focus on referring people who have more barriers to work and will likely require more support
- 47 The prototype programme in Phase One will:
 - 47.1 pay a wage subsidy to employers (equivalent to one year of the Jobseeker Support rate) for approximately 12 months
 - 47.2 provide participants with short training and work readiness courses to improve their suitability prior to being placed in employment, if needed⁷
 - 47.3 support participants to remain in employment and achieve sustainability by providing them with in-work financial incentives and other in-work supports
 - 47.4 have employers provide some level of additional supports (such as pastoral care and mentoring)
 - 47.5 provide a pathway to formal industry training qualifications for participants and link them to Fees-Free Tertiary Study, if eligible⁸.

The prototype programme will include in-work supports

- 48 It is important that participants are incentivised to stay in work and recognise their own achievements. 9(2)(f)(iv) - Active Consideration



As part of Phase One, participants will also receive in-work financial incentives, which aim to motivate people who exit welfare for work to stay in employment and to recognise their performance.

- 49 Additional supports for young people and employers (particularly SMEs) will be needed for the full design of Mana in Mahi – Strength in Work.
- 50 ITOs provide a certain level of pastoral care for learners in New Zealand Apprenticeships work-based training, which is funded from the \$5,200 they receive per learner. However, additional supports will be needed to ensure that MSD clients, particularly youth and disabled people, can access and succeed in industry training.

⁷ Some participants may have already completed other training programmes such as Limited Service Volunteer, which is a six-week motivational training course run by the New Zealand Defence Force. It aims to increase the number of young job seekers entering employment or training by improving their self-discipline, self-confidence, motivation and initiative.

⁸ All first-time post-secondary learners are eligible for two years of fees-free industry training.

- 51 Industry training qualifications require a significant time commitment, particularly apprenticeships (which last approximately 4 years), and a significant amount of self-directed learning outside of work. An apprentice needs to have a disciplined, structured lifestyle in order to succeed.
- 52 Young people that engage with MSD are more likely to have lower educational achievement. About a third of young people receiving Jobseeker Support are disabled or have a mental health condition, and may require some accommodations from employers to help them maintain work.
- 53 Taking on an apprentice is also a big commitment for an employer, especially for SMEs. Employers usually tend to offer apprenticeships only after people have worked for them and have demonstrated a good work ethic. Employers tend to hire apprentices with prior qualifications, which is an advantage unemployed young people do not tend to have.
- 54 For the Phase One prototype programme, MSD will refer young people who are relatively more work ready. These people are unlikely to require intensive supports, which employers may not be able to provide under Phase One without additional funding.
- 55 The full implementation of Mana in Mahi – Strength in Work under Phase Two will focus on referring people who have more barriers to work and will likely require more support. Therefore, more intensive supports will be included in Phase Two 9(2)(f)(iv)

Four employers have been identified to start Phase One

- 56 MSD has identified the initial group of employers with the capacity and willingness to take up participants in Phase One. They are:

56.1 Wellington Hospitality Group (hospitality)

56.2 Downer New Zealand Limited (Downer), who will facilitate participants being placed with SME sub-contractors (building and construction)

56.3 9(2)(j) - Commercial and Industrial Negotiation



56.4 Vivo Hair and Beauty (hairdressing).

- 57 These employers were selected due to the potential for participants to achieve a sustainable career and aim for an industry training qualification in these sectors. These employers are also willing to work with MSD as we test elements of the Mana in Mahi – Strength in Work model. They have agreed to provide additional supports to participants, which is something employers would normally not be able to do. MSD will be working with other employers to extend the number of places in the next few months.
- 58 As part of Phase One, MSD is engaging more broadly with employers, particularly SMEs, with a focus on skill shortages. This engagement, together with the lessons learned from the bigger employers already on board, will allow MSD to better understand what kind of supports employers, and potentially young people, will need under a full roll-out of Mana in Mahi – Strength in Work in Phase Two.

The prototype programme will be a new way of working with these employers

- 59 Most of the employers identified for Phase One would be initiating a new programme within their workplaces. For example, placing potential apprentices with SMEs is new for Downer,

and the relationships built with these sub-contractors during Phase One will provide valuable insights to inform how Mana in Mahi – Strength in Work can better support SMEs and young people.

- 60 A challenge currently facing the construction and other industry sectors is determining how to engage with SMEs and encourage them to recruit, employ, train and retain their employees.
- 61 Under Phase One, Downer would provide group pre-training to the participants 
9(2)(f)

Downer can provide up-front.

The prototype programme will allow MSD to test a number of design aspects to inform Phase Two

- 62 This prototype programme will allow MSD to test some aspects of Mana in Mahi – Strength in Work, including the:
- 62.1 accuracy of indicative cost estimates for a full implementation of Mana in Mahi – Strength in Work, including how long financial support will be provided for
 - 62.2 level of qualification that would be most appropriate and manageable for participants to begin at and what is required to help them achieve higher qualifications
 - 62.3 level of support required by young people and employers throughout the programme
 - 62.4 in-work financial incentive payment for participants and whether it helps participants stay in work and achieve an industry training outcome
 - 62.5 likely uptake for the full roll-out of Mana in Mahi – Strength in Work.

Mechanisms will be put in place to ensure risks associated with wage subsidies are managed

- 63 There are a number of risks associated with wage subsidies. One of them is that employers may take advantage of the financial payments without truly committing to the employee, and dismissing them after the subsidy ends. MSD has experience managing these risks. For Mana in Mahi – Strength in Work, MSD will monitor working relationships to identify any early warning signs. It is also including milestones in the contracts with employers, which must be met in order for the employers to achieve agreed performance standards. These milestones would include the participant being signed up to a formal industry training programme.
- 64 Other risks include employers taking on people they would have taken anyway, with wage subsidies being a disincentive for industry to take initiative and address their own labour needs. The full design of Mana in Mahi – Strength in Work will include mechanisms to mitigate these risks, for example ensuring participants are placed into new positions. On top of this, there is work underway through the Construction Skills Strategy to create new industry training opportunities in construction and incentivise employers to develop their own workforce.

Traditional apprenticeships are not the only way to deliver Mana in Mahi – Strength in Work

- 65 Mana in Mahi – Strength in Work will operate within the formal industry training system, which includes New Zealand Apprenticeships. Consistent with current practice, New Zealand qualifications recognised by industry sectors can be achieved in different ways depending on the industry.
- 66 As part of the design for Mana in Mahi – Strength in Work, MSD officials are looking at whether a range of qualifications may be a better fit for this initiative. For some people, and depending on the industry sector, smaller qualifications that are highly valued by industry would be more achievable.
- 67 Many employers and industries have career pathways that do not require a New Zealand Apprenticeship, so focusing on other practical industry training qualifications may shorten the time it takes to support a learner into sustainable employment.

There are different ways to achieve recognised New Zealand qualifications

- 68 The Tertiary Education Commission (TEC) funds tertiary education organisations, including ITOs and polytechnics, which deliver apprenticeships.
- 69 New Zealand Apprenticeships provide a vocational pathway that will result in a Level 4 New Zealand qualification, which is listed on the New Zealand Qualifications Framework and comprises a minimum of 120 credits, or two or more qualifications at Levels 3 and 4 totalling at least 120 credits (ensuring a strong theoretical component). An apprentice must be employed in the occupation for which they are training. Throughout the apprenticeship, an apprentice must be supported by a training plan agreed by themselves, their employer, and relevant ITO.
- 70 ITOs are responsible for arranging training for apprentices through New Zealand Apprenticeships. Upon completion of New Zealand Apprenticeships, apprentices will be competent in their occupation to the standards determined by the ITOs, with support and input from industries.
- 71 Almost all apprenticeships allow someone to enter straight into a Level 4 qualification, although many recommend achievement of National Certificate of Educational Achievement Level 1 or Level 2, or equivalent in their entry requirements. Completion of the apprenticeship should take around 2-4 years, depending on the credit value of the qualification.
- 72 Many industries have good pathways from lower level qualifications up to Level 4. This enables learners to staircase up to Level 4 qualifications, building competence and confidence as they achieve. These pathways exist in the primary, service, community and social service, manufacturing, and infrastructure industries.
- 73 Not all Level 4 qualifications are formally recognised and funded as apprenticeships by TEC, largely because they do not meet the 120 credit requirement. However, Level 4 qualifications still provide the learner with specific occupational skills at a level valued by industry. Industry sectors that value these qualifications include aquaculture, various infrastructure and forestry roles, galvanising, and aluminium joinery. These qualifications will lead to sustainable employment opportunities, which is a primary goal of Mana in Mahi – Strength in Work.
- 74 Some traditional apprenticeships, such as electrical and plumbing, have limited options for pathways up to Level 4 NZQF. This is because of the regulated nature of the occupations and associated health and safety issues.

- 75 It may be possible for Mana in Mahi – Strength in Work to offer ‘cadetships’ providing pathway programmes in Level 3 or Level 4 qualifications that do not meet the New Zealand Apprenticeship requirements. Cadetships are still used in some industry sectors, such as infrastructure and primary industries.

Consultation

- 76 TEC, the Ministry of Education, the Ministry of Business, Innovation and Employment, the New Zealand Qualifications Authority, Te Puni Kōkiri, the Ministry for Women, the Ministry for Pacific Peoples, Office of Disability Issues, the Treasury, and the Department of the Prime Minister and Cabinet (Policy Advisory Group) have been consulted. The Ministry of Culture and Heritage, Ministry of Youth Development, the Ministry for Primary Industries, the Ministry of Justice, the Ministry of Health, the Department of Corrections, the Department of Internal Affairs, and Oranga Tamariki were informed.

Financial implications

- 77 There are no financial implications for the Crown at this time. 9(2)(f)(iv) [redacted] Phase One will be funded out of the Vote Social Development Improved Employment and Social Outcomes Multi-Category Appropriation. Up to \$4 million for 2018/2019 has been allocated for this phase specifically. This money will be used to fund up to 150 places (depending on employer demand) and other Phase One associated costs, such as employer engagement, process and evaluation.

78 9(2)(f)(iv) [redacted]

79 [redacted]

Human rights implications

- 80 The phased implementation approach for Mana in Mahi – Strength in Work is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative implications

- 81 The phased implementation approach for Mana in Mahi – Strength in Work does not have any legislative implications.

Regulatory impact and compliance cost statement

- 82 No regulatory impact and compliance cost statements are required.

Gender and diversity implications

- 83 The phased implementation approach for Mana in Mahi – Strength in Work may have gender implications, especially in relation to sectors such as construction. MSD will undertake further

work with the Ministry for Women to ensure these implications are carefully managed for the final design of Mana in Mahi – Strength in Work.

- 84 The final design of Mana in Mahi – Strength in Work will also consider any implications for Māori and Pacific People.

Disability perspective

- 85 A significant portion of young people receiving Jobseeker Support (about a third) are receiving it due to a health condition or disability. As part of the development of the full design of Mana in Mahi – Strength in Work, consideration will be given to the support needed to enable eligible disabled people and people with health conditions to participate successfully in the programme.

Publicity

- 86 I intend to publically announce Phase One of Mana in Mahi – Strength in Work after Cabinet agrees to the recommendations in this paper.

Recommendations

- 87 The Minister of Employment recommends that the Committee:

- 1 **agree** that the Minister of Employment use the name “Mana in Mahi – Strength in Work” for Phase One of Dole for Apprenticeships;
- 2 **agree** that the Minister of Employment, in consultation with the Minister for Social Development, will implement Phase One of Mana in Mahi – Strength in Work (Dole for Apprenticeships) in August 2018;
- 3 **note** that up to \$4 million has been allocated from the Improved Employment and Social Outcomes Multi-Category Appropriation in Vote Social Development to fund Phase One in 2018/2019;
- 4 **note** that the policy and design settings for the Phase One prototype programme are not necessarily the final settings for the full Mana in Mahi – Strength in Work (Dole for Apprenticeships) programme;

5 9(2)(f)(iv)

6

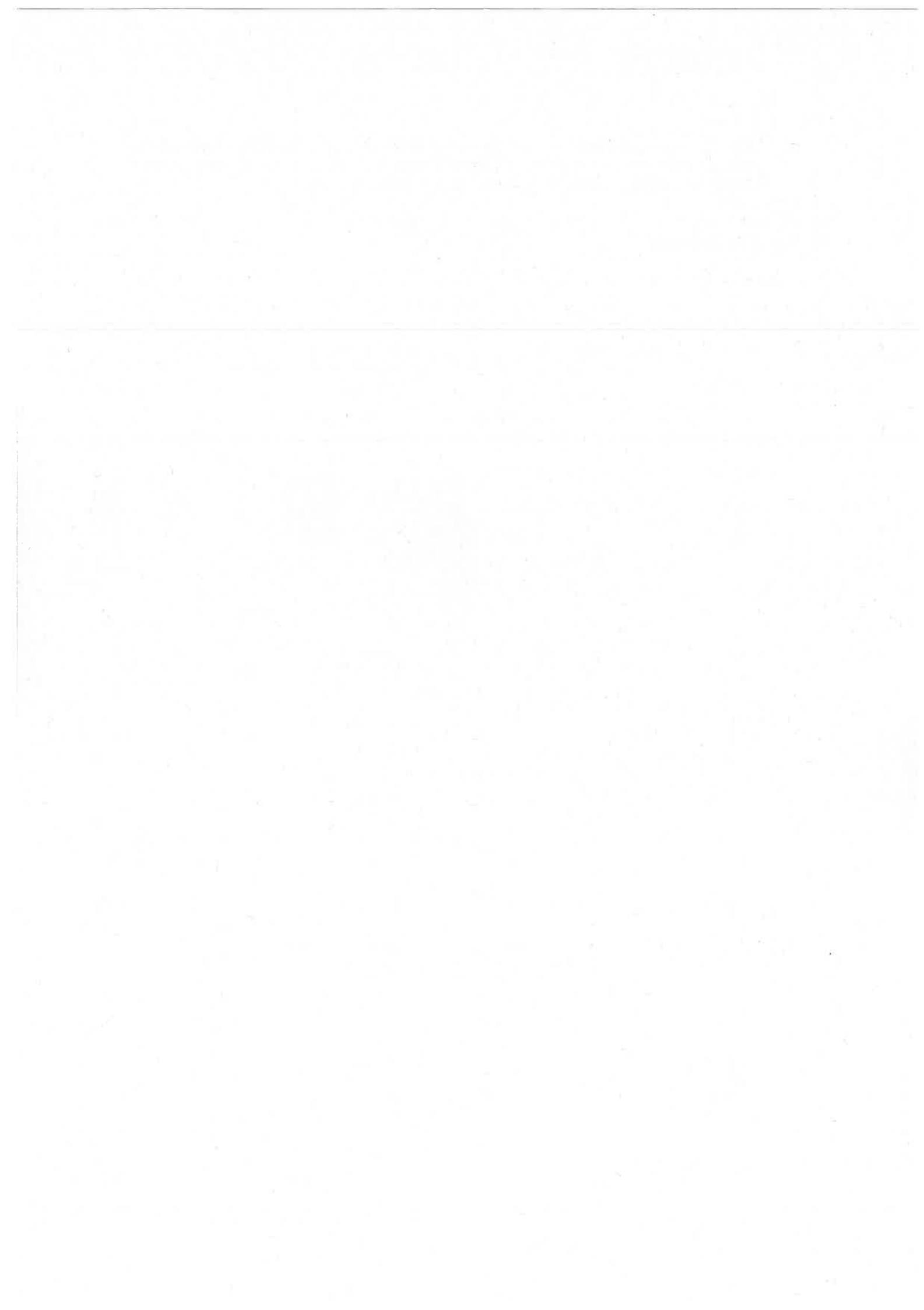
7

- 8 **note** that Mana in Mahi – Strength in Work (Dole for Apprenticeships) is one of five key initiatives in the draft Construction Skills Action Plan; and

- 9 **agree** to share this paper with the Cabinet Economic Development Committee so they can see the details of the Mana in Mahi – Strength in Work (Dole for Apprenticeships) initiative when they consider the Construction Skills Action Plan.

Hon Willie Jackson
Minister of Employment

Approved for lodgement



In Confidence

Office of the Minister of Immigration

Chair, Cabinet Economic Development Committee

Immigration settings to support KiwiBuild

Proposal

- 1 This paper asks you to note the package of changes that I intend to make to the immigration system in order to support the Government's KiwiBuild Programme and promote growth in housing supply. I also seek your agreement to consult with construction sector stakeholders and others on this proposed package.

Executive Summary

- 2 Well-managed immigration is essential to our economic and social success as a country. My key immigration priorities are to:
 - 2.1 Better match the skills New Zealand needs with the skills New Zealand gets in order to improve the contribution of immigration to the labour market outcomes of New Zealanders
 - 2.2 Tackle the exploitation of migrants
 - 2.3 Review New Zealand's approach to Pacific migration issues
 - 2.4 Increase New Zealand's refugee intake
 - 2.5 Make immigration system improvements and contribute to the security of New Zealand's borders.
- 3 Annex One provides a summary of the upcoming papers I intend to take to Cabinet for the immigration portfolio. The summary outlines how they align with my portfolio priorities and the Government's wider economic, labour market, foreign relations and security objectives.
- 4 Current immigration system settings are fairly enabling for migrant workers to work in New Zealand's construction sector, where there is a shortage. Migrants already make an important contribution to the sector's workforce.
- 5 The immigration system has an important role to play in delivering the government's KiwiBuild Programme.
- 6 I want to ensure that immigration settings are calibrated to supplement the domestic labour market for construction, support the specific requirements of KiwiBuild and drive better labour market outcomes from the construction sector. The settings also need to:
 - 6.1 ensure that New Zealand workers are able to realise the benefits of stronger construction demand and are considered first for employment and training opportunities, and

- 6.2 minimise the risk of poor outcomes, such as displacement of New Zealand workers, lower wages and exploitation of migrants.
- 7 To achieve these aims, it will be important to ensure that immigration settings move in sync with procurement decisions on KiwiBuild and also the wider Construction Skills Strategy, which aims to improve the capability and capacity of the construction workforce in the medium to long term. Immigration settings need to supplement the sector in the short term, until we see the impacts from domestic activity, and be flexible enough to be adapted to meet changing needs and requirements over time.
- 8 As a first step, I have asked officials to develop the following time-limited package of changes:
- 8.1 **A KiwiBuild Skills Shortage List** to provide an expedited process to fill specific roles in which we know demand exceeds domestic supply.
- 8.2 **An employer accreditation or alternative pre-approval model for the construction sector** to provide certainty and flexibility for employers who exhibit good practices to recruit overseas workers and allow for simplicity and speed of processing visa applications, and
- 8.3 **Specific requirements for labour hire companies** to manage the risk of exploitation of migrant workers.
- 9 I intend to consult on this package of proposed changes with the construction sector and other stakeholders. Where appropriate, this consultation will be part of the targeted consultation on the Action Plan to deliver the Construction Skills Strategy (the Action Plan), to ensure consistency and coherency.
- 10 Following this, I intend to work with my colleagues on the Ministerial Construction Workforce Group and the Future of Work Ministerial Group and bring key decisions back to this Committee for agreement.

Background

- 11 Significant numbers of migrants already come to New Zealand to take up work opportunities in construction. Migrant workers have made a significant contribution to the Canterbury rebuild effort in particular. Construction is considered a high-demand sector by Immigration New Zealand, meaning that considerable effort is put into marketing the opportunities in New Zealand to offshore markets.
- 12 Visa approvals show Essential Skills (temporary work visas) is the dominant category for workers coming into New Zealand in construction-related occupations. Residence approvals confirm that people are also transitioning to residence from temporary visas for construction-related occupations.
- 13 In 2017/2018, approximately 11,277 Essential Skills visa holders (a temporary work visa) and Skilled Migrant Category resident visa holders were working in 'construction related occupations' based on ANZSCO1 classifications. This does not count other visa holders where no occupation is recorded (such as Working Holiday makers or partners of New Zealanders) working in construction and, given that it counts the number of workers in New Zealand on a given day, it misses those who are out of the country temporarily.

¹ The Australian and New Zealand Standard Classification of Occupations (ANZSCO) provides information used by INZ to check the skill levels of jobs, and the qualifications and/or experience needed to work in those jobs.

- 14 The United Kingdom and South Africa are the main source countries for migrants filling highly-skilled roles in the sector and the Philippines, China and Fiji for tradespeople, middle and lower-skilled roles.

Comment

The role of the immigration system in supporting the KiwiBuild Programme

- 15 KiwiBuild provides a unique opportunity for the construction sector to invest in innovation and skills development for the longer term, by increasing confidence in the future level of demand and investment in residential construction. To support the transformation of the sector, and its approach to workforce development, the Ministerial Group on the Construction Workforce has developed a Construction Skills Strategy and an Action Plan. The Action Plan sets out initiatives to address labour and skills shortages in the sector, drawing on education and welfare levers and the role of industry.
- 16 Migrant workers will continue to be needed to deliver on the KiwiBuild Programme, which is a priority for this Government, which requires a step up in the scale and pace of residential development.
- 17 Increasing demand for new housing and infrastructure has exposed shortfalls across all skill levels in construction. The Ministry of Business, Innovation and Employment (MBIE) in late 2017 indicated a shortfall of about 30,000 workers. Occupations that are expected to experience the largest growth in demand for employment from 2016 to 2022 include trades such as plumbers (15 per cent over the period), electricians (14 per cent), project builders (12 per cent), and professional occupations such as civil engineers and construction project managers (both 12 per cent).
- 18 These projections are based on occupational data from the 2013 Census, and assume the continued use of current methods of construction. Given that we expect to see greater uptake of modular housing using prefabrication as part of KiwiBuild, there remains some uncertainty about what response is needed from the immigration system to meet demand for workers.
- 19 Historically, the construction sector has tapped into workers not employed in the construction sector to help to meet peaks of demand. This is unlikely to be sufficient to meet demand for both KiwiBuild development and other forecast construction activity and is not a sustainable solution. Overseas workers are going to be needed to meet the shortfall, at least in the short term.
- 20 The objectives I have set for the immigration system to support KiwiBuild and skill and workforce development in the construction sector are to:
- 20.1 provide employers with easy access to offshore skills to support KiwiBuild, when these are not available locally
 - 20.2 provide guaranteed labour in the short term, where this is needed
 - 20.3 provide a mechanism to improve labour market outcomes, such as increased productivity and a higher wage economy, for example by incentivising firms and the sector to invest in workforce development, and
 - 20.4 achieve these objectives in a way which manages risks to labour market outcomes, including displacement of New Zealand workers, lower pay and exploitation of migrants.

The proposed package of immigration changes

- 21 The proposals that best meet these objectives are:
- 21.1 **A KiwiBuild Skills Shortage List** to provide an expedited process to fill specific occupations in which we know demand exceeds domestic supply
 - 21.2 **An employer accreditation or alternative pre-approval model for the construction sector** to provide certainty and flexibility for employers who exhibit good practices to recruit overseas workers and allow for simplicity and speed of processing visa applications, and
 - 21.3 **Specific requirements for labour hire companies** to manage the risk of exploitation of workers.
- 22 I have directed officials to work through the detail needed to progress this package of changes and will bring back the specific details to Cabinet for agreement.
- 23 Immigration settings will need to keep pace with KiwiBuild procurement decisions and be in sync with the construction skills strategy, so that they are responsive to changes in demand and supply in the construction sector workforce. I intend for the package of changes to be time-limited, so that it does not create a dependency on migrant workers and signals a requirement for employers and industry to plan for the future workforce.
- 24 The package will need to be flexible enough to be adapted to specific needs and requirements over time. I will ensure its operation is monitored closely to ascertain when further changes are warranted.
- 25 Construction is considered a high-demand sector by Immigration New Zealand (INZ), meaning that considerable effort is already being put into marketing opportunities in offshore markets by INZ. It is likely that announcements regarding the KiwiBuild package will be favourably received by overseas media, generating an increase in interest from potential KiwiBuild employees. A programme of activity, including public relations, search and social media, co-ordinated by INZ could be used to increase to existing pool of candidates. INZ would then work with employers to engage with this pool.

A KiwiBuild Skills Shortage List

- 26 Most construction workers come into New Zealand on an Essential Skills temporary work visa. Before granting an Essential Skills work visa INZ will conduct a 'labour market test' (LMT). The Immigration Officer must be satisfied that the employer has made a genuine attempt to attract and recruit New Zealand citizens or residence class visa holders and that there are no New Zealanders available.
- 27 An LMT is not required for occupations listed on the Essential Skills in Demand (ESID) lists. These lists are valued by the construction sector, particularly the Immediate Skills Shortage List (ISSL) and the Canterbury Skills Shortage List (CSSL), as they provide certainty and reduce cost and delay for both employers and migrants. Seven construction-related occupations were added to the ISSL in February 2018.

28 A dedicated KiwiBuild Skills Shortage List, which signals regional shortages, will provide two distinct advantages over the current system:

28.1 It allows successful innovations from the CSSL to be adopted nationwide.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

28.2 It provides a mechanism to boost overseas interest in work opportunities in New Zealand.

29 The CSSL is a tool aimed at supporting the Canterbury rebuild effort. My intention is to replace this with the KiwiBuild Skills Shortage List.

An employer accreditation or alternative pre-approval model for the construction sector

30 I have a review underway, at the system level, to assess how well immigration policies are incentivising good employment practices, initially focussed on the Accredited Employer Policy (AEP). I am concerned that current settings for the AEP, in particular, are not delivering the outcomes sought and present risks to the integrity of the immigration system. The review will help to identify specific settings to apply to the construction sector, or parts thereof as appropriate. I am expecting to bring a paper to Cabinet s 9(2)(f)(iv) seeking agreement to publically consult on this issue.

31 I also want to offer a premium product specifically for good employers in the construction sector. This will provide them with certainty and flexibility regarding their ability to hire overseas workers and therefore the ability to plan their workforce. The pre-approval of employers will allow for INZ to offer simplicity and speed of processing visa applications which benefits both employers and migrants.

32 There will be a high bar for accreditation for the construction sector. The definition of a good employer might include adhering to certain standards in the areas of: health and safety; employment conditions and pay; training; pastoral care; and robust business practices.

33 I am considering incentivising employers to achieve these higher standards by offering a higher value proposition than existing settings. s 9(2)(f)(iv)

34 In this way, I intend to use immigration settings to support the improved labour market outcomes sought by this Government. I will be discussing with my colleagues across both the building and construction and employment-related portfolios which obligations the immigration system should place on employers.

35 The scale of the KiwiBuild Programme provides opportunities beyond the immigration system to drive the sector to transform and invest capital in innovation and skills development for the longer term. I note, for example, that the KiwiBuild "Invitation to Participate" for the "buying off the plans" initiative will include skills and training as part of the evaluation criteria. I will explore with my colleagues the most appropriate overall system settings.

Specific requirements for labour hire companies

36 Labour hire companies are employers who employ and outsource workers for short- or long-term positions to third parties with whom the employer has a contractual relationship to supply labour. They are a prominent feature of New Zealand's construction sector, managing the sector's short-term demand for labour and taking on the risk and uncertainty regarding the future demand for work. Many recruit migrant workers.

37 Mandatory accreditation of labour hire companies operating within Canterbury and in the construction sector was introduced in July 2016 to reduce the exploitation of migrants and the associated undercutting of wages and conditions of New Zealand workers. There has been an 'opt-in' accreditation policy in place nationwide since July 2015.

38 INZ will rescind a labour hire company's accreditation where the company does not comply with specified conditions and obligations, including paying at least the market rate for the occupation, offering employment terms and conditions equivalent to those of workers directly employed by the company with whom the worker is placed, meeting all upfront and ongoing costs of the recruitment of a worker under the Essential Skills instructions and ensuring that any third party to whom they hire out a migrant worker has good workplace practices.

39 There are advantages to labour hire companies being accredited: workers can get a 3-year work visa for all roles, which benefits, in particular, those in lower-skilled roles that normally only receive 12-month Essential Skills visas.

40 Given that risks of exploitation can be anticipated in the KiwiBuild Programme, I am considering broadening the current labour hire accreditation policy for Canterbury to cover all construction sector roles, nationwide.

Next steps

41 Officials are continuing to work on the details of the package outlined in this paper.

42 I propose that, where appropriate, the package of immigration changes outlined in this paper is part of the targeted consultation with construction sector stakeholders on the Action Plan to deliver the Construction Skills Strategy, to ensure consistency and coherency.

Consultation

43 The following Departments have been consulted on this paper: Te Puni Kōkiri, Ministry of Social Development, Ministry of Education, Ministry for Pacific Peoples, Ministry for Women, Tertiary Education Commission, the Treasury and the Department of Prime Minister and Cabinet.

Financial Implications

44 There are no financial implications arising directly from this paper.

Human Rights

- 45 There are no inconsistencies between the proposals in this paper and the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative Implications

- 46 There are no legislative or regulatory implications associated with the proposals in this paper.

Publicity

- 47 I intend to make a press release announcing the proposed immigration package to support KiwiBuild with a view to this being included as part of the consultation on the Action Plan to deliver the Construction Skills Strategy.

Recommendations

The Minister of Immigration recommends that the Committee:

- 1 **note** the objectives which I have set for immigration system to support the KiwiBuild Programme:
- 1.1 To provide employers with easy access to offshore skills to support KiwiBuild, when these are not available locally,
 - 1.2 To provide guaranteed labour in the short-term, where this is needed,
 - 1.3 To provide a mechanism to improve labour market outcomes, such as increased productivity and a higher wage economy, for example by incentivising firms and the sector to invest in workforce development, and
 - 1.4 To achieve these objectives in a way which manages risks to labour market outcomes, including displacement of New Zealand workers, lower pay and exploitation of migrants.
- 2 **note** that the key elements of the package that best deliver on these objectives will be:
- 2.1 **A KiwiBuild Skills Shortage List** to provide an expedited process to fill specific roles in which we know demand exceeds domestic supply;
 - 2.2 **An employer accreditation or alternative pre-approval model for the construction sector** to provide certainty and flexibility for employers who exhibit good practices to recruit overseas workers and allow for simplicity and speed of processing visa applications; and
 - 2.3 **Specific requirements for labour hire companies** to manage the risk of exploitation of workers.
- 3 **note** that the package will be flexible to accommodate the emerging KiwiBuild Programme and the Construction Skills Strategy and also time-limited, so that it does not create a dependency on migrant workers and signals a requirement for employers and industry to plan for the future workforce.

- 4 **agree** that the package of changes to immigration settings outlined in this paper is included as part of the targeted consultation with construction sector stakeholders on the Action Plan to deliver the Construction Skills Strategy.
- 5 **note** that following the consultation I will work with the Ministerial Group on the Construction Workforce, and the Future of Work Ministerial Group to refine the package as necessary and bring key decisions back to this Committee for agreement.

Authorised for lodgement

Hon Iain Lees-Galloway

Minister of Immigration

RELEASED UNDER THE OFFICIAL INFORMATION ACT 1982