



COVERSHEET

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| Minister | Hon Jackson | Portfolio | Employment |
| Title of Cabinet paper | Establishing Regional Skills Leadership Groups | Date to be published | At your discretion (but no later than 4 September 2019) |

List of documents that have been proactively released

| Date | Title | Author |
|-------------|---|----------------------------------|
| 22/07/2019 | Establishing Regional Skills Leadership Groups | Office of Minister of Employment |
| 24/07/2019 | SWC-19-MIN-0087 | Cabinet Office |
| 04/07/2019 | Joint Briefing – Establishing Regional Leadership Groups | MBIE, MoE |
| 13/03/2019 | Memo to Labour Market Ministerial Group on labour market planning | MBIE |

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the following reasons:

- Privacy of natural persons
- Confidential advice to Government

In-Confidence

Office of the Minister of Education

Office of the Minister for Social Development

Office of the Minister of Immigration

Office of the Minister for Seniors

Office of the Minister of Employment

Chair, Cabinet Social Wellbeing Committee

Establishing Regional Skills Leadership Groups

Proposal

1. This paper seeks Cabinet's agreement to establish Regional Skills Leadership Groups (RSLGs) as regional labour market planning bodies.

Executive Summary

2. In December 2018, Cabinet agreed to consult on the establishment of regional labour market planning bodies to facilitate closer alignment of the relevant labour market systems, as part of the proposals on the employer-assisted temporary work visa review [CAB-18-MIN-0608.01]. In January 2019, Cabinet also agreed to consult on Regional Leadership Groups (RLGs) to identify the needs of local economies and provide a link between local government, employers, iwi and communities, as part of the Reform of Vocational Education (RoVE) [CAB-19-MIN-0009].
3. Presently, a lack of coordination is resulting in suboptimal decision-making by local participants and hindering attempts to support a shift towards a high-skill labour market. Moving towards a higher value labour market requires a concerted effort from both supply and demand side participants. Cohesive planning can support this shift.
4. As such, we propose establishing 15 Regional Skills Leadership Groups (RSLGs) to undertake a labour market planning function in each region. The overarching purpose of the RSLGs will be to facilitate regular dialogue about regional labour market needs that builds more cohesive, coordinated decision-making at a regional level. Each RSLG will be charged with developing Regional Workforce Plans which set out the aspiration for the region and how the desired future state will be achieved.
5. To ensure the success of the RSLGs, it will be essential that the right people are around the table. However, what will work in one region will not necessarily be the right answer in other regions. For example, RSLGs will need to reflect the specific demographics of their regions (such as a high proportion of young people or older workers).
6. There are also likely to be different labour markets within each region that warrant bespoke consideration. The RSLGs may choose to recognise this within their plans.

They may also elect to convene sub-committees or advisory groups that can assist them with any bespoke consideration that may be needed for a sub-region.

7. It will therefore be important to ensure that a flexible approach is taken to the composition of these Groups. To facilitate this, we propose that the Ministry of Business, Innovation and Employment (MBIE) be charged with running the process for appointing members to RSLGs. In discharging its appointment functions, MBIE will be guided by a range of principles relating to representativeness, effectiveness, avoidance of duplication, and the need to ensure the groups are of workable size. MBIE will also need to ensure that it engages with regional perspectives as part of the appointment process.
8. Some regions have existing groups that perform various labour market planning or coordination functions. In some cases, there may be a group whose composition aligns with the appointment principles. In these instances, it may be appropriate for that existing group to be conferred that region's RSLG responsibilities.
9. **Confidential advice to Government**
This includes funding for secretariat functions across all the RSLGs and central resourcing to help build consistency in the approach to workforce planning.
10. We propose undertaking a policy review of the RSLG model three to five years after establishment to confirm whether RSLGs and the settings supporting them are working as anticipated, and to evaluate whether they are having the desired impact in relation to skills and labour market outcomes.

Background

11. The consultation documents for both RoVE and the changes to the employer-assisted temporary work visa system proposed the development of regional labour market planning functions.
12. In both consultation documents, the proposal for regional labour market planning functions was driven by the notion that the temporary migration and vocational education systems should be responsive to local labour market needs. A summary of feedback is attached as Annex One.
13. Both documents noted that in the absence of an effective planning function, the ability of systems to be responsive were limited. Responsive systems would create the right incentives for employers and firms to invest more in moving their workforces up the skills ladder.
14. The RoVE proposals, in particular, rely on the existence of RSLGs. The RSLGs will have a specific function in the vocational education system in advising the Tertiary Education Commission on investment decisions and education provider offerings.
15. In a similar manner, the Welfare Expert Advisory Group's report recommended the establishment of regional advisory groups to improve coordination across regional labour market participants.
16. Together these work programmes identify that the status quo is not sufficient and more is needed to deliver effective labour market planning and co-ordination at the regional level.
17. Given the overlapping intentions of these pieces of work, we propose establishing the RSLGs to undertake a labour market planning function at a regional level. There

are a number of challenges that RSLGs can help resolve by empowering regions and supporting their planning capability.

Why is a more cohesive approach to labour market planning necessary?

A lack of coordination is resulting in suboptimal decision-making

18. There are currently a number of participants within the labour market system making planning decisions in isolation, based on different data and analysis, and often inadvertently pulling in different directions.
19. Since the various labour market participants are making decisions without all the necessary information and coordination, they can end up making decisions that are suboptimal for both the individual and the region as a whole. For example, it can lead employers to focus on short term needs and reduce their drive to invest in skills and activation initiatives as the return can be uncertain. The focus on the short term can be particularly compounded if employers are able to access labour relatively easily offshore.

More cohesive labour market planning can support a shift towards a high-skill labour market

20. OECD research has highlighted considerable variation in the supply and demand for skills at the local level. Some local economies are characterised by low-skilled, low-quality, poorly productive jobs. Such regions can fall into a 'low-skills equilibrium', where it does not pay for people to invest in skills as they are not valued by local employers.
21. For example, the research found that young people do not find it beneficial to remain in education if local companies are not seeking high-level skills. At the same time, managers will be reluctant to raise their level of productivity and better utilise skills if there is a lack of well-educated workers within their region. However, improving the supply of skills locally is risky, as unless attempts to improve demand are also made, a skills surplus can result.
22. Moving towards a high-skill labour market therefore requires a concerted effort from both supply and demand side participants. A forum for discussion and agreement on coordination of this effort, as well as clear communication to all stakeholders, can increase the confidence of these participants in investing towards higher skills. Cohesive planning, although only one of many necessary factors in moving toward a high-skill labour market, can therefore support this shift.
23. Although labour market planning is an important factor to increase the overall skill level of a labour market, it will also have a crucial role to play in ensuring the efficient and effective functioning of the lower-skilled portion of the labour market.

Labour market planning needs to happen at a regional level

24. Regional economies vary considerably in terms of their industry sectors, the skill level of the workforce, resources (including natural and socioeconomic), and assets. In addition, complex issues such as the future of work, demographic change such as the ageing population, and migration levels also affect different regions (and communities within those regions) to varying degrees.
25. Achieving the two objectives of cohesive labour market planning (improved coordination and supporting a move towards a high-skill labour market) requires an integrated approach at the regional level that covers both supply and demand side dimensions, and allows the regional dynamic to be taken into account by involving

participants from across employment, skills, welfare and economic development agencies.

Drivers of successful labour market planning

26. There is currently mixed planning activity underway across the regions. Some regions have a lot of activity happening, whereas others may not be joined up with the centre, have multiple entities duplicating a labour market planning function, or have no entities undertaking this function.

27. In order to be successful, regional labour market planning needs to have *all* of the following components:

- dedicated and sustainable infrastructure at both the central and regional level
- the right people around the table to provide a single voice on regional labour market matters, and
- the right incentives in place for members to engage in (and commit to) the planning process.

28. Examples of existing labour market planning activity are outlined in Annex Two.

Designing a model that builds off best practice

29. In establishing a cohesive model for regional labour market planning, it will be important to ensure that we design a flexible approach that incorporates all of the necessary components, while building off best practice from what currently exists. For example, there may be an opportunity to recognise and build on the Regional Investment Plans for Employment (RIPEs) and the Waikato Regional Labour Market Strategy group. There is no intention for RSLGs to duplicate the work already done by regions that have existing regional economic development plans.

Proposed role and functions: the development of Regional Workforce Plans

30. We propose establishing 15 RSLGs. These will cover 15 geographic regions based on regional councils and unitary authorities, as follows:

- | | | |
|-----------------|----------------------|---------------|
| • Northland | • Taranaki | • Marlborough |
| • Auckland | • Hawke's Bay | • West Coast |
| • Waikato | • Whanganui-Manawatu | • Canterbury |
| • Bay of Plenty | • Wellington | • Otago |
| • Gisborne | • Nelson and Tasman | • Southland |

31. The overarching purpose of the RSLGs will be to facilitate regular dialogue about regional labour market needs that builds more cohesive, coordinated decision-making at a regional level. In turn, this will encourage businesses, training providers and other local actors to work together towards a high-skill labour market. In some cases, there may be a significant degree of difference within a single region.

32. A key tool in facilitating this objective will be the development of Regional Workforce Plans. We propose that all RSLGs will be expected to develop such Plans to highlight labour supply and demand trends for the region, and identify where change is needed to achieve a high-skill regional labour market. The intention of this is to lift all jobs towards a higher-skill level and thereby raise the productivity of local labour markets.
33. The Plans will set out the aspiration for the region and how the desired future state will be achieved, including commitments for actions from the parties represented on the RSLG. Each RSLG would then oversee, facilitate and encourage the implementation of its region's Plan through its network of relationships with central and local actors.
34. The publication of Plans will serve as a tool to influence a broad range of labour market participants in the region (such as iwi, firms and unions). A key function of the RSLGs will be to provide advice to the Education system, especially in the area of vocational education. An example of how this would operate is set out below:

RSLGs would generate information about skills demand in their region and the type, level and range of provision needed to meet it. They would advise TEC on purchasing and funding decisions, advocating on behalf of the region for the investment needed to give effect to the region's skills plan. TEC would be required to take this advice into consideration.

RSLGs would also influence regional education providers' strategic decisions about the priority and volume of different types of provision. RSLGs' advice will include both a long-term and a region-wide perspective, including information on which sectors are likely to expand or contract over time, and how the skills required within their region are expected to change.

35. We expect that RSLGs will perform a similar function for other key supply side systems. For example, they will provide advice to the Welfare system in relation to its regional decision-making for employment support, and to decision-makers in the immigration system about access to migrant labour.

How would the Regional Workforce Plans be developed?

36. The Plans would be developed from a range of inputs, including central government data, the local knowledge of the members around the table, and engagement with other relevant regional stakeholders. The RSLGs would be expected to consult relevant stakeholders on the draft Plans, and review or reaffirm the Plans on an annual basis to ensure they remain current.
37. It will also be important to ensure that voices of traditionally underrepresented views are heard. For example, disabled people are under-served by the vocational education system and have significantly poorer employment outcomes than the general population. Establishment of RSLGs presents an opportunity to support disabled people's success through RSLGs' engagement with key stakeholders in the disability sector. The requirements to engage with key stakeholders in the regions in the development and renewal of Regional Workforce Plans will help ensure that the Plans reflect the perspectives and needs of the regions.

Variation within regions

38. There are likely to be different labour markets within each region that warrant bespoke consideration. The RSLGs would be expected to recognise this within their plans. They may also elect to convene sub-committees or advisory groups that can

assist them with any bespoke consideration that may be needed for a sub-region. For example, in Otago, the RSLG might adopt a bespoke approach for considering labour market dynamics for Queenstown. Or equally, the RSLG in Canterbury may take a similar approach to Christchurch, and the RSLG in Wellington with regard to Wairarapa.

39. RSLGs will also need to consider how to address issues for particular demographic groups. For example, the Northland RSLG would be looking to address the persistent high youth unemployment rates that the region is experiencing.

Improving the quality of the Plans over time

40. The Ministry of Business, Innovation and Employment (MBIE) anticipates that the quality of the plans will vary initially, depending on the starting point of the region, but there will be an expectation that plans improve year-on-year. The central secretariat will monitor the plans for quality and share best practice across the regions.

Composition and appointments

41. To ensure the success of the RSLGs, it will be essential that the right people are around the table. This will include employers and other key partners such as iwi, local government and communities, to ensure that regional voices are part of decision-making that affects them.
42. In regions where there are high numbers of Pacific peoples, it would be appropriate for there to be Pacific representation on the group. Likewise, disabled persons and other demographic groups will also be considered for representation on the Groups, as appropriate, to capture the full scope of regional needs and aspirations. This may include, for example, non-governmental organisations and other community groups.
43. Representatives of the agencies overseeing relevant central government systems (welfare, immigration and education) will be required on every RSLG. The shape of this representation will vary depending on the needs of each region, but will not outweigh the number of regional representatives on the Groups (and is likely to be significantly less).
44. The Minister of State Services brought a paper to Cabinet on 17 June 2019 [CAB-19-MIN-0290]. One of the key objectives of that paper was to facilitate clearer public sector leadership. For example, the paper proposed to nominate clear leads from the public service to provide strategic leadership for state services in respect of that region. We expect that these regional leads would play a role in helping shape central government involvement for each of these RSLGs.
45. As well as having the right people around the table, the RSLGs will need to have the right mix of skills in order to be effective, including:
- the ability to operate at a strategic level and in a collaborative manner
 - strong regional connections across economic and social sectors
 - knowledge of the education, welfare and immigration systems.

Approach to appointments

46. We consider that the most effective way to balance the need for regional buy-in with the risk of groups being captured by specific interests is for the composition of the bodies to be guided by a set of principles. This approach would allow for some

flexibility for regions to influence who's on their RSLG, while providing some central oversight of the groups as a whole. We propose the following principles:

- achieve balance between regional stakeholder representation and empowerment, and retaining groups at a workable size
- represent the agencies overseeing the relevant systems (welfare, immigration, and education), as well as the interests specific to the region (such as local government, businesses, workers and communities)
- ensure that the representatives of interests specific to the region make up the majority of the members on the groups
- represent iwi, given their key role as a Treaty partner, and in building the Māori economy, the kaupapa Māori approach of the welfare overhaul, and Whānau Ora employment outcome
- facilitate effective and efficient outcomes by avoiding duplication or replacement of bodies and processes already underway within the region.

Appointment process

47. We recommend the appointments process be undertaken by MBIE. MBIE would be required to apply the principles outlined above, with the ability to decide what policies and procedures are necessary to assess whether the principles have been followed.
48. Nominations would be sought from within each region to ensure that each RSLG benefits from appropriate regional expertise and buy-in. In cases where regional stakeholders are unable to agree on a nomination, the central secretariat would be responsible for determining appropriate membership.
49. We would expect reporting to the Cabinet Appointments and Honours Committee (APH) on the composition of each RSLG (in terms of interests represented), prior to appointments being made, but not on the individuals being appointed or subsequent appointment rounds, unless the composition changes.
50. There is a residual risk that this approach may not result in the right people being represented on the RSLGs (for example members being appointed who are unable to function effectively as a group, or groups that are dominated by a single voice). To mitigate this risk, it will be important that the appointment process provides for consultation with appropriate parties (for example, the Senior Regional Officials¹) before decisions are made, and allows for flexibility around which organisations sit on the RSLGs.

Potential to use existing regional groups

51. As noted above, some regions have existing groups that perform various labour market planning or coordination functions (for example, the Waikato Labour Market Strategy group mentioned in paragraph 29 and Annex Two). In some cases, there may be a group whose composition aligns with the principles set out above. In these instances, it may be appropriate for that existing group (potentially with some small membership adjustments) to be conferred that region's RSLG responsibilities.

¹ The Senior Regional Officials make decisions about investments from the Provincial Growth Fund below \$1.00m.

Monitoring and evaluation

52. We propose undertaking a policy review of the RSLG model three to five years after establishment to confirm whether RSLGs and the settings supporting them are working as anticipated, and to evaluate whether they are having the desired impact in relation to skills and labour market outcomes.

Implementation

53. Once public announcements have been made, officials will begin engaging with the regions to discuss the detail of establishing the RSLGs. This engagement will be important to build regional buy-in and to develop a thorough understanding of existing regional labour market activity. Regional engagement is likely to take the remainder of 2019.

54. We intend for the central secretariat to be in place within MBIE in early 2020. This will allow MBIE to commence the appointment process, with the RSLGs to be established by 1 July 2020.

Consultation

55. The following agencies were consulted in the preparation of this paper: the Ministry of Education, the Ministry of Social Development, the Tertiary Education Commission, The Treasury, and the State Services Commission. The Department of the Prime Minister and Cabinet were informed.

Financial Implications

56. One of the essential components of effective labour market planning is having dedicated and sustainable infrastructure in place. Key functions here include funding for regional secretariat functions and central secretariat and data functions. We also think it will be important to ensure RSLGs have access to some research and consultancy funding so that they can undertake qualitative or quantitative research into the dynamics of their region as needed.

Confidential advice to Government

[Redacted content]

[Redacted]

[Redacted]

Treasury Comment

61. [Redacted] The Treasury does not support establishing Regional Leadership Groups without agreeing to the necessary funding at the same time. We do not have confidence that estimates of cost included in this paper reflect that amount of funding required to effectively establish Regional Leadership Groups. Agreeing to the policy now raises expectations that this funding will be confirmed through Budget 2020, limiting the ability of Cabinet to consider this against other Government priorities.

Confidential advice to Government
[Redacted]

Legislative Implications

64. This paper has no direct legislative implications.

Impact Analysis

65. This paper does not require a Regulatory Impact Assessment as it has no direct legislative implications.

Human Rights

66. This paper is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Gender Implications

67. There are no gender implications associated with this paper.

Disability Perspective

68. The establishment of RSLGs could lead to positive outcomes for disabled people as the greater insight into local labour markets provided by RSLGs would allow better matching between suitable jobs and disabled people, given the restrictions that are often imposed on them. There are no other disability implications associated with this paper.

Publicity

69. Publicity, namely press releases, is planned as part of announcements around RoVE by the Minister of Education.

Proactive Release

70. We propose to release this paper proactively subject to any relevant redactions as appropriate, consistent with the Official Information Act 1982.

Recommendations

71. The Ministers of Education, Immigration and Employment, and for Social Development and Seniors recommend that the Committee:

1. **Note** that there are currently a number of participants within the labour market system making autonomous decisions based on different data and analysis, leading to suboptimal labour market outcomes

Establishment of Regional Skills Leadership Groups and Regional Workforce Plans

2. **Agree** to establish Regional Skills Leadership Groups for each of the fifteen standard geographic regions
3. **Agree** that the purpose of Regional Skills Leadership Groups is to facilitate dialogue about regional labour market needs
4. **Agree** that Regional Skills Leadership Groups would be required to develop Regional Workforce Plans that highlight labour supply and demand trends for the region and identify where change is needed
5. **Note** that there is no intention for Regional Skills Leadership Groups to duplicate the work already done by regions who have existing regional economic development plans
6. **Agree** that Regional Workforce Plans would be refreshed or reaffirmed on an annual basis
7. **Agree** that Regional Skills Leadership Groups would be required to consult relevant stakeholders on the development and renewal of Regional Workforce Plans and to engage with relevant stakeholders before reaffirming a Plan.

Composition and Appointment of Regional Skills Leadership Groups

8. **Agree** that Regional Skills Leadership Groups should have representation from both supply and demand side participants (including businesses, unions and iwi)
9. **Agree** that representatives of agencies overseeing the relevant central government systems (welfare, immigration and education) will be required on each Group, but will not outweigh the number of regional representatives on each Group (and is likely to be significantly less)
10. **Agree** that the appointments process will be administered by the Ministry of Business, Innovation and Employment
11. **Agree** that Cabinet Appointments and Honours Committee receive reports on the composition of each Regional Skills Leadership Group (in terms of

interests represented), prior to appointments being made, but not on the individuals being appointed or subsequent appointment rounds, unless the composition changes

12. **Agree** that in undertaking the appointment process for Regional Skills Leadership Groups, the Ministry of Business, Innovation and Employment will adhere to the following principles:

12.1 achieve balance between regional stakeholder representation and empowerment, and retaining groups at a workable size

12.2 represent the agencies overseeing the relevant systems (welfare, immigration, and education), as well as the interests specific to the region (such as local government, businesses, workers and communities)

12.3 ensure that the representatives of interests specific to the region make up the majority of the members on the groups

12.4 represent iwi, given their key role in building the Māori economy, the kaupapa Māori approach of the welfare overhaul, and Whānau Ora employment outcome

12.5 facilitate effective and efficient outcomes by avoiding duplication or replacement of bodies and processes already underway within the region.

13. **Agree** that in undertaking the appointment process for Regional Skills Leadership Groups, the Ministry of Business, Innovation and Employment will be required to undertake consultation with any appropriate parties before decisions are made

Resourcing and Financial Implications

Confidential advice to Government

[Redacted content]



Authorised for lodgement

Hon Chris Hipkins
Minister of Education

Hon Carmel Sepuloni
Minister for Social Development

Hon Iain Lees-Galloway
Minister of Immigration

Hon Tracey Martin
Minister for Seniors

Hon Willie Jackson
Minister of Employment

PROACTIVELY RELEASED

Annex 1: summary of feedback from public consultation on the Reform of Vocational Education and changes to employer-led temporary work visas.

1. Feedback from the public on regional labour market planning, and the idea of RSLGs, was received as part of the respective consultations on the employer-assisted work visa review and the RoVE.
2. Submissions from the consultation on the proposed changes to temporary migration were broadly supportive of a mechanism to ensure closer alignment of the immigration, education/skills and welfare/employment systems. Such a function could be fulfilled by RSLGs and, generally, submitters felt that closer alignment would contribute to better employment opportunities for New Zealanders.
3. The feedback from the RoVE consultation was similarly positive, with these submissions providing some more detailed suggestions for the structure, function and composition of RSLGs.
 - 3.1. One submitter suggested that each group should determine their own structure, but that the functions would need to be established centrally and be the same across all groups.
 - 3.2. Some suggestions from submitters on the functions of the RSLGs included providing insights into the needs of their region; supporting and advising employers and industry; indicating learning needs and skills shortages to inform programme development; and identifying employment opportunities and demands.
 - 3.3. Most submitters agree that the RSLGs will be able to represent Iwi and Māori interests, however this will largely be determined on how the RSLGs are established
4. Further consultation with regions around the implementation process is intended to ensure that successful, existing initiatives are taken into account as RSLGs are rolled out.

Annex 2: examples of existing labour market planning activity

Ministry of Social Development regional offices

1. The Ministry of Social Development's (MSD) regional offices engage in and support a range of labour market planning activities across the regions. For example in Waikato, the regional office holds Waikato Regional Labour Market Strategy group meetings every month, which has representatives from all Councils, industry, iwi, Chambers of Commerce and employers.
2. While this example successfully brings together a broad range of regional stakeholders with the social welfare system, it doesn't involve the other two key supply-side actors (immigration and education), therefore potentially limiting its ability to influence change.

Ministry of Education regional advisers

3. The Ministry of Education (MoE) has a regional network of Principal Advisers Secondary Transitions (PASTs) who work to support better progression from schooling to further education, training and employment. Based at MoE regional offices, these specialists work with schools, wharekura, tertiary providers and communities (including employers, iwi and councils) to facilitate and develop strong local partnerships and networks. The Advisers take a strategic view of their region's needs and contribute to cross-agency initiatives; however, their focus is on youth transitions, which is a subset of the broader labour market dynamic.
4. The Independent Taskforce's review of Tomorrow's Schools has suggested changes that would reshape MoE regional support and co-ordination. As policy decisions in that area develop, it will become clearer whether this would have any impact on the Secondary Transitions function.

The New Zealand Digital Skills Forum

5. The ICT sector is an example of industry collaborating with government to undertake national-level labour market planning to address the sector's skills shortage. The New Zealand Digital Skills Forum is a coalition of industry associations and government organisations that work together to identify key skills issues and opportunities across the ICT, high-tech and digital sectors.
6. The Forum has been able to come to an agreed view because it brings together employers and central government around the table, with relevant agencies either on the Forum itself or taking part in Working Groups. Private sector participants are incentivised to undertake planning because they have the ability to influence central government decision-making. However, because the Forum does not have representation from the IT sector's workforce, it lacks the necessary tension to develop a plan that improves outcomes for all sides.

Regional Investment Portfolios for Employment (RIPes)

7. Regional Investment Portfolios for Employment (RIPes) are currently being established for "surge" regions, such as the Bay of Plenty, Hawke's Bay and Manawatū-Whanganui, to inform Te Ara Mahi (as part of the Provincial Growth Fund (PGF)) investment in regional skills and employment. RIPes are developed through identifying the gaps between the employer's labour requirements and the supply. These gaps are then used to inform how PGF funds could best be applied in the region.

8. The plans also provide employers and other stakeholders with a shared understanding of the regional needs to enable them to start working with training providers and prospective employees to shore up the pipeline of future supply.
9. While RIEs are a successful model, they are limited to certain regions and only have funding secured for the next two years.

PROACTIVELY RELEASED



BRIEFING

Establishing Regional Leadership Groups

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|---------------------------------|---------------|-------------------------|------------|
| Date: | 4 July 2019 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | 3721 18-19 |

| Action sought | | |
|---|---|-------------|
| | Action sought | Deadline |
| Hon Hipkins Minister of Education | Agree to the recommended approach to establishing Regional Leadership Groups. | 3 July 2019 |
| Hon Lees-Galloway Minister of Immigration | Agree to forward a copy of this briefing to the Ministers of Finance, Social Development and Seniors | |
| Hon Jackson Minister of Employment | | |

| Contact for telephone discussion (if required) | | | | |
|--|---|------------|------------|-------------|
| Name | Position | Telephone | | 1st contact |
| Jivan Grewal | Manager, Skills and Employment Policy, MBIE | [REDACTED] | [REDACTED] | ✓ |
| Katrina Sutich | Senior Policy Manager, Vocational & Skills Policy, MoE | [REDACTED] | [REDACTED] | |
| [REDACTED] | Senior Policy Advisor, Skills and Employment Policy, MBIE | [REDACTED] | [REDACTED] | |

| The following departments/agencies have been consulted |
|---|
| Ministry of Social Development, The Treasury, Tertiary Education Commission |

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

Establishing Regional Leadership Groups

| | | | |
|---------------------------------|---------------|-------------------------|------------|
| Date: | 3 July 2019 | Priority: | Medium |
| Security classification: | In Confidence | Tracking number: | 3721 18-19 |

Purpose

This briefing seeks Ministers' agreement to our recommended approach to establishing Regional Leadership Groups as regional labour market planning bodies.

Recommended action

The Ministry of Business, Innovation and Employment and the Ministry of Education recommend that you:

1. **note** that there are currently a number of actors within the labour market system making autonomous decisions based on different data and analysis, leading to suboptimal labour market outcomes.

Noted

2. **note** that achieving the objectives of cohesive labour market planning (improved coordination and supporting a move towards a high-skill labour market) requires an integrated approach at the regional level to allow the regional dynamic to be taken into account.

Noted

Establishment of Regional Leadership Groups and Regional Workforce Plans

3. **agree** to establish Regional Leadership Groups to facilitate dialogue about regional labour market needs; develop Regional Workforce Plans that highlight labour supply and demand trends for the region and identify where change is needed; and facilitate the implementation of the Plans.

Agree/Disagree

4. **agree** that Regional Workforce Plans would be refreshed or reaffirmed on an annual basis.

Agree/Disagree

Composition and Appointment of Regional Leadership Groups

5. **agree** that Regional Leadership Groups should have representation from both supply and demand side actors (including businesses, unions and iwi).

Agree/Disagree

6. **agree** that the composition of the Regional Leadership Groups should adhere to the following principles:

- 6.1. achieve balance between regional stakeholder representation and empowerment, and retaining groups at a workable size
- 6.2. represent the interests of the relevant systems (welfare, immigration, education and local government), as well as the interests specific to the region (such as businesses and workers)

- 6.3. represent iwi, given their key role in building the Māori economy, the kaupapa Māori approach of the welfare overhaul, and Whānau Ora employment outcome
- 6.4. facilitate effective and efficient outcomes by avoiding duplication or replacement of bodies and processes already underway within the region.

Agree/Disagree

- 7. **agree** that the appointments process will be administered by the Ministry of Business, Innovation and Employment.

Agree/Disagree

- 8. **note** that officials' initial view is that a range of non-statutory mechanisms are sufficient to establish and appoint members to Regional Leadership Groups.

Noted

Resourcing and Financial Implications

[REDACTED]

Agree/Disagree

- 10. **note** that financial recommendations will need to be made as part of the Cabinet paper to ensure that resourcing outlined in recommendation 9 is funded alongside any policy decision to implement Regional Leadership Groups.

Noted

- 11. **agree** to the Minister for Employment, in consultation with the Ministers of Education, Social Development and Immigration, taking a paper to Cabinet at the end of July seeking agreement to the establishment of Regional Leadership Groups.

Agree/Disagree

- 12. **note** that Ministry of Social Development officials have contributed to the development of this briefing, however are still engaging with their regional directors on the proposals and are not yet in a position to fully endorse the current briefing.

Noted

- 13. **agree** to refer this briefing to the Minister for Social Development and Minister for Seniors to discuss the way forward on this work with Ministry of Social Development officials.

Agree/Disagree

14. **agree** to forward a copy of this briefing to the Minister of Finance.

Agree/Disagree

Jivan Grewal
Manager, Skills and Employment Policy
Labour & Immigration Policy, MBIE

..... / /

Andy Jackson
Group Manger, Tertiary Education
Ministry of Education

..... / /

Hon Iain Lees-Galloway
Minister of Immigration

..... / /

Hon Chris Hipkins
Minister of Education

..... / /

Hon Willie Jackson
Minister of Employment

..... / /

Establishing Regional Leadership Groups

Introduction

This briefing seeks your agreement to our recommended approach to establishing Regional Leadership Groups (RLGs) as regional labour market planning bodies.

Why is a cohesive approach to labour market planning necessary?

¹*A lack of coordination is resulting in suboptimal decision-making*

There are currently a number of actors within the labour market system making planning decisions in isolation, based on different data and analysis, and often inadvertently pulling in different directions.

2. Since the various actors are making decisions without all the necessary information and coordination, the decisions can end up being suboptimal both for the individual (eg jobseekers, employers) and the region as a whole. For example, it can lead employers to
3. focus on short-term needs and reduce their drive to invest in local skills and activation initiatives as the return on investment can be uncertain. The focus on short-term needs can be particularly compounded if employers are able to access labour relatively easily offshore.

Cohesive labour market planning can support a shift towards a high-skill labour market

4. OECD research has highlighted considerable variation in the supply and demand for skills at the local level. Some local economies are characterised by low-skilled, low-quality, poorly productive jobs. Such regions can fall into a 'low-skills equilibrium', where it does not pay for people to invest in skills when they are not valued by local employers.

5. For example, the research found that young people do not see the benefit of staying in education if local companies are not seeking high-level skills. At the same time, managers will be reluctant to raise their level of productivity and better utilise skills if there is a lack of well-educated workers within their region. The OECD research also found that improving the supply of skills locally can be risky, as unless attempts to improve demand are also made, a skills surplus can result.
- 6.

Moving the labour market as a whole from a low-skills equilibrium towards a higher-skill labour market therefore requires a concerted effort from both supply and demand side actors. Establishing a forum for discussion and coordination of this effort, as well as providing a single communication channel on labour market matters to all stakeholders, would increase confidence in investing in higher skills and productivity.

7. *Labour market planning needs to happen at a regional level*

Regional economies vary considerably in terms of their industry sectors, the skills level of the workforce, resources (including natural and socioeconomic), and assets (ie existing initiatives and infrastructure). In addition, complex issues such as the future of work, demographic change such as the ageing population, and migration levels also affect different regions (and communities within those regions) to varying degrees.

- 8.
9. Achieving the objectives of cohesive labour market planning (improved coordination and supporting a move towards a high-skill labour market) requires an integrated approach at the regional level to allow the regional dynamic to be taken into account.

What labour market planning currently exists and why is it not sufficient?

There is currently mixed activity underway across the regions. Some regions have a lot of activity happening, whereas others may not be joined up with the centre, have multiple

entities duplicating a labour market planning function, or have no entities undertaking this function.

In order to be successful, regional labour market planning needs to have all of the following components:

- dedicated and sustainable infrastructure at both the central and regional level
- 10. • the right people around the table to provide a single voice on regional labour market matters, and
- the right incentives in place for members to engage in (and commit to) the planning process.

Some examples of existing labour market planning activity are outlined below:

Ministry of Social Development regional offices

11. The Ministry of Social Development's (MSD's) regional offices engage in and support a range of labour market planning activities across the regions. For example in Waikato, the regional office holds Waikato Regional Labour Market Strategy group meetings every month, which has representatives from all Councils, industry, iwi, Chambers of Commerce and employers.

12. While this example successfully brings together a broad range of regional stakeholders with the social welfare system, it doesn't involve the other two key supply-side actors (immigration and education), therefore potentially limiting its ability to influence change.
- 13.

Ministry of Education regional advisers

14. The Ministry of Education (MoE) has a regional network of Principal Advisers Secondary Transitions (PASTs) who work to support better progression from schooling to further education, training and employment. Based at MoE regional offices, these specialists work with schools, wharekura, tertiary providers and communities (including employers, iwi and councils) to facilitate and develop strong local partnerships and networks. The Advisers take a strategic view of their region's needs and contribute to cross-agency initiatives; however, their focus is on youth transitions, which is a subset of the broader labour market dynamic.
- 15.

16. The Independent Taskforce's review of Tomorrow's Schools has suggested changes that would reshape MoE regional support and co-ordination. As policy decisions in that area develop, it will become clearer whether this would have any impact on the Secondary Transitions function.

The New Zealand Digital Skills Forum

17. The ICT sector is an example of industry collaborating with government to undertake national-level labour market planning to address the sector's skills shortage. The New Zealand Digital Skills Forum is a coalition of industry associations and government organisations that work together to identify key skills issues and opportunities across the ICT, high-tech and digital sectors.

The Forum has been able to come to an agreed view because it brings together employers and central government around the table, with relevant agencies either on the Forum itself or taking part in Working Groups. Private sector actors are incentivised to undertake planning because they have the ability to influence central government decision-making. However, because the Forum does not have representation from the IT sector's workforce, it lacks the necessary tension to develop a plan that improves outcomes for all sides.

Regional Investment Portfolios for Employment (RIPes)

18. Regional Investment Portfolios for Employment (RIPEs) are currently being established for “surge” regions, such as the Bay of Plenty, Hawke’s Bay and Manawatū-Whanganui, to inform Te Ara Mahi (as part of the Provincial Growth Fund (PGF)) investment in regional skills and employment. RIPEs are developed through identifying the gaps between the employer’s labour requirements and the supply. These gaps are then used to inform how PGF funds could best be applied in the region.

The plans also provide employers and other stakeholders with a shared understanding of the regional needs to enable them to start working with training providers and prospective employees to shore up the pipeline of future supply.

19. While RIPEs are a successful model, they are limited to certain regions and only have funding secured for the next two years.

20. *Designing a model that builds off best practice*

21. In establishing a cohesive model for regional labour market planning, it will be important to ensure that we design a flexible approach that incorporates all of the necessary components, while building off best practice from what currently exists. For example, there may be an opportunity to recognise and build on the RIPEs and the Waikato Regional Labour Market Strategy group.

The need for effective regional labour market planning has been identified in a number of work programmes

22. The consultation documents for both the Reform of Vocational Education (RoVE) and the changes to the settings for temporary migration proposed the development of regional labour market planning functions

23. In both consultation documents, the proposal for regional labour market planning functions was driven by the notion that the temporary migration and vocational education systems should be responsive to local labour market needs.

24. Both documents noted that in the absence of an effective planning function, the ability of the systems to be responsive were limited. Responsive systems would create the right incentives for employers and firms to invest more in moving their workforces up the skills ladder

25. The RoVE proposals, in particular, rely on the existence of RLGs. The RLGs will have a specific function in the vocational education system in advising the Tertiary Education Commission on investment decisions and education provider offerings.

26. In a similar manner, the Welfare Expert Advisory Group’s report recommended the establishment of regional advisory groups to improve coordination across regional actors.

27. Together these work programmes identify that the status quo is not sufficient and more is needed to deliver effective labour market planning and co-ordination at the regional level.

28.

Establishing Regional Leadership Groups

29. We recommend establishing a cohesive labour market planning model that integrates the education, immigration and welfare systems with demand side actors at the regional level. This model will be implemented through the establishment RLGs to cover the 15 regions.

This delineation of regions aligns with the approach taken on the changes to the settings for temporary migration and the RoVE. This reflects existing institutions, ensures the availability of useful data, and supports administrative efficiency. For further detail on the basis for the regional model, the briefing on defining regions is included as **Annex One**.

This approach to defining regions can be reconsidered if Ministers wish to do so, as related policy decisions in the wider work programme are made.

Proposed role and functions: the development of Regional Workforce Plans

The overarching purpose of the RLGs will be to facilitate regular dialogue about regional labour market needs that builds cohesive, coordinated decision-making at a regional level. In turn, this will encourage businesses, training providers and other local actors to work together towards a high-skill labour market.

30. A key tool in facilitating this objective will be the development of Regional Workforce Plans. We propose that all RLGs be expected to develop such Plans to highlight labour supply and demand trends for the region, and identify where change is needed to achieve a high-skill regional labour market.

31. The Plans will set out how the desired future state will be achieved, including commitments for actions from the parties represented on the RLG. Each RLG would then oversee, facilitate and encourage the implementation of its region's Plan through its network of relationships with central and local actors. In this sense, the Plans are an advancement on RIPes, in that they will be extended into all regions and will better systematise coordination between labour market actors.

32. The publication of Plans will serve as a tool to influence a broad range of labour market actors in the region (such as iwi, firms and unions). We also expect that either through informal dialogue or as formal recommendations, the RLGs would provide advice to the key supply side systems (Immigration, Education and Welfare). An example of how this would operate in the vocational education system is set out below:

RLGs would generate information about skills demand in their region and the type, level and range of provision needed to meet it. They would advise the Tertiary Education Commission (TEC) on purchasing and funding decisions, advocating on behalf of the region for the investment needed to give effect to the region's skills plan. TEC would be required to take this advice into consideration.

RLGs would also influence regional education providers' strategic decisions about the priority and volume of different types of provision. RLGs' advice will include both a long-term and a region-wide perspective, including information on which sectors are likely to expand or contract over time, and how the skills required within their region are expected to change.

33. *How would the Regional Workforce Plans be developed?*

34. The Plans would be developed from a range of inputs, including: central government data, the local knowledge of the members around the table, regional growth plans developed by regional economic development agencies, and engagement with other relevant regional stakeholders. The RLGs would be expected to consult relevant stakeholders on the draft Plans, and review the Plans on an annual basis to ensure they remain current.

35. The Plans would be drafted by each RLG's regional secretariat. The central secretariat would collate the data that underpins RLGs' planning. Any further work required to inform RLG planning would need to be undertaken by other parties, such as RLG members or a contracted provider. A central fund would be created to support regions to resource this work.

Improving the quality of the Plans over time

We anticipate that the quality of the plans will vary initially, depending on the starting point of the region, but there will be an expectation that plans improve year-on-year. The central secretariat will monitor the plans for quality and share best practice across the regions.

Composition and appointments

To ensure the success of the RLGs, it will be essential that the right people are around the table. This will include employers, education providers and other key partners such as iwi and local government, to ensure that regional voices are part of decision-making that affects them.

37. In addition, RLGs provide an opportunity to ensure that regional service provision reflects and supports Pacific people's aspirations. In forming their advice, RLGs will need to ensure that the voice of Pacific stakeholders is heard and incorporated. In regions where there are high numbers of Pacific peoples, it would be appropriate for there to be Pacific representation on the group.
- 38.

- Equally, disabled people are under-served by the vocational education system and have significantly poorer employment outcomes than the general population. Establishment of RLGs presents an opportunity to support disabled people's success through RLGs' engagement with key stakeholders in the disability sector.
- 39.

As well as having the right people around the table, the RLGs will need to have the right mix of skills in order to be effective, including:

- 40.
- the ability to operate at a strategic level and in a collaborative manner
 - strong regional connections across economic and social sectors
 - knowledge of the education, welfare and immigration systems.

Approach to appointments

41. We have considered a range of options for the appointment of members. These options included devolving decision-making to the regions, ministerial appointments, or a centrally facilitated process. Our view is that an overly centralised approach would create a significant administrative burden and would risk alienating local buy-in. Equally, a wholly devolved process could result in groups that are captured by specific interests.

42. We consider that the most effective way to balance these criteria is for the composition of the bodies to be guided by a set of principles. This approach would allow for some flexibility for regions to influence who will be on their RLG, while providing some central oversight of the groups as a whole. We propose the following principles:

- achieve balance between regional stakeholder representation and empowerment, and retaining groups at a workable size
 - represent the interests of the relevant systems (welfare, immigration, education and local government), as well as the interests specific to the region (such as businesses and workers)
 - represent iwi, given their key role in building the Māori economy, the kaupapa Māori approach of the welfare overhaul, and Whānau Ora employment outcome
- 43.
- facilitate effective and efficient outcomes by avoiding duplication or replacement of bodies and processes already underway within the region.

- We are continuing to consider the most effective way of representing the interests of the relevant central government systems on the RLGs. Options include having a minimum of one representative from each system on the RLG; having a central government auxiliary group that has a representative on the RLG; or involving the Regional Leads that are being established through the State Sector reforms.
- 44.

Appointment Process

We recommend the appointments process be undertaken by the Ministry of Business, Innovation and Employment (MBIE), with support from a central secretariat function to be

established within MBIE. MBIE would be required to apply the principles outlined above, with the ability to decide what policies and procedures are necessary to assess whether the principles have been followed.

45. Nominations would be sought from within each region to ensure that each RLG benefits from appropriate regional expertise and buy-in. For example, regional and district councils could nominate a representative, and appropriate regional iwi could collectively nominate another member. In cases where regional stakeholders are unable to agree on a nomination, the central secretariat would be responsible for determining appropriate membership.

46. There is a residual risk that this approach may not result in the right people being represented on the RLGs, or members being appointed who are unable to function effectively as a group. To mitigate this risk, the appointment process will provide for consultation with appropriate parties (for example, the Senior Regional Officials) before decisions are made.

47. A further possible risk is a perceived lack of transparency due to the subjectivity inherent in principles-based decision-making. This risk could be mitigated by ensuring the principles and process for appointment are published, and by allowing the appointments to be subject to review.

Potential to use existing regional groups

48. As noted previously, some regions have existing groups that perform various labour market planning or coordination functions (for example, the Waikato Labour Market Strategy group mentioned above). In some cases, there may be a group whose composition aligns with the principles set out above. In these instances, it may be appropriate for that existing group (potentially with some small membership adjustments) to be conferred that region's RLG responsibilities.

Legal status and mandate

49. It is important that settings for RLGs allow regional and community voices to have appropriate and ongoing influence. Their legal status is also relevant to their ability to engage third parties directly. We have considered several options for setting RLGs' legal structure, mandate and status, including prescribing their role in legislation.

Establishing RLGs in legislation

50. Establishing RLGs in legislation would provide a clear and enduring signal of their status, including their mandated functions, and would allow other legislation and mechanisms to specifically reference RLGs.

51. However because the RLGs' function is advisory only, we consider it unnecessary for them to be established in legislation. A legislative option would also be less flexible in adapting to future changes, and may constrain the way in which the groups can be customised to local needs.

52. In addition, given the breadth of the RLGs' role, the appropriate legislative vehicle for their establishment is not evident. There is a risk that the creation of any standalone legislation could be seen as wasteful of Parliamentary time (given the viability of alternative non-statutory alternatives).

Establishing RLGs through non-statutory mechanisms

There are a range of non-statutory mechanisms for signalling the importance of the RLGs. These include the use of:

- a) Terms of Reference, including role and functions, a statement of performance expectations, and funding and resourcing provisions.
- b) Contractual arrangements between MBIE and the RLG members to outline the fees they will receive, and minimum membership requirements.
- c) Cabinet directive for supply-side agencies to take account of the Regional Workforce Plans.
- d) Specific mechanisms relating to the TEC (e.g. a new function, guiding principle, and/or criteria in assessing investment plans).

Recommended option

We consider that a range of informal mechanisms would provide a sufficient level of certainty regarding what the groups are expected to achieve, and how agencies are expected to take account of the RLGs' outputs.

54.

Monitoring and evaluation

It will be important to monitor the effectiveness of RLGs over time. We think it would be appropriate to review the RLG model three years to five years after establishment to confirm whether RLGs and the settings supporting them are working as anticipated, and to evaluate whether they are having the desired impact in relation to skills and labour market outcomes.

55.

If the combination of informal mechanisms that enable the RLGs is found not to have had the desired effect, further consideration could be given to establishing RLGs in legislation at that time.

56.

Resourcing

57. One of the key components of effective labour market planning is having dedicated and sustainable infrastructure in place.

58. RLGs will need to be sufficiently funded to meet regularly and develop the Regional Workforce Plans. The table below sets out the functions at a minimum level that we consider essential to the success of RLGs. There are options to scale any of these functions up or down.

| Role | Functions | FTE | Funding |
|--|---|---------------------------|---------|
| Central Secretariat/data access and analysis | <ul style="list-style-type: none"> - Collect central data and provide this to each RLG - Provide workforce plan templates to RLGs and support regional centres to draft Regional Workforce Plans - Oversee the governance of RLGs and provide general guidance where necessary - Collate and analyse the insight provided by RLGs | | |
| Regional Secretariat | <ul style="list-style-type: none"> - Provide logistical support to RLGs (ie arranging meetings, recording minutes, collating research) - Provide a direct link between RLGs and central government | 15 FTE (1 FTE per region) | |

| | | | |
|---|---|---|--|
| | - Draft Regional Workforce Plans | | |
| Research/consultancy fund for each region | - Enable RLGs to fund their own research and outsource to consultants as required - Provide further assistance to regions where labour market planning is currently underdeveloped | - | |

We propose to review the level of resourcing following one year of operation to test our assumptions and assess whether the level of funding is sufficient to allow the RLGs to operate effectively.

59.



Options for funding the RLGs

61. Given the cross-cutting nature of the RLGs, we propose that funding should sit with Vote Employment. This proposition was supported by Ministers at the Labour Market Ministers' Group meeting in May 2019.

62. The Minister of Education has proposed in the RoVE Cabinet papers that the RoVE budget contingency cover the costs over the initial period, and that full operating funding for RLGs form part of the Minister of Employment's Budget 2020 package.

63. Officials have identified two feasible options for seeking additional funding for the RLGs, which will impact on the timing of announcing the proposal:

- Option 1: *appropriate funding from the between-Budget contingency*. This would allow Ministers to announce the proposal following Cabinet decisions in late July 2019 because ongoing funding would be confirmed.
- Option 2: *no appropriation from between-Budget contingency and Cabinet agreement subject to Budget 2020 decisions*. Under this option, Ministers would not be able to announce the proposal in late July because ongoing funding would not have been secured. In this case, we would suggest deferring the RLG Cabinet paper in line with

64.

If Ministers wish for officials to explore other options for funding, officials can undertake further work to identify these and report back to Ministers.

65.

Next steps

We propose the following next steps:

- Once Ministers have made decisions, we will prepare a paper for the Minister of Employment, in consultation with the Ministers of Education, Immigration and Social Development, to take to Cabinet in late July.
- Following Cabinet decisions, we will prepare a plan for how we will engage with the regions regarding the detail of establishing the RLGs. This engagement will be important to build regional buy-in, and will help inform an implementation plan.
- Subject to agreement on the decisions by Cabinet by July, we anticipate having the RLGs established in mid-2020 in order to be fully operational by 1 January 2021.

Annexes

Annex One: Briefing on defining regions for regional skills shortage lists

PROACTIVELY RELEASED

Annex One: Briefing on Defining Regions for Regional Skills Shortage Lists

There are a range of factors relevant to what regional model is used

1. In considering how to define regions, officials considered a range of factors, including the policy intent and the practical considerations of implementing the lists:

Policy Intent

- a. To better reflect regional labour market needs; and
- b. Use the lists to support the use of government and regional institutions, tools and work programmes to improve local labour market supply.

Practical considerations

- c. The regional structure of existing infrastructure and institutions, such as Economic Development Agencies, Industry Associations, Chambers of Commerce, and Work and Income Regional Commissioners;
 - d. The availability of data - both administrative data held by agencies, as well as reliable official labour market statistics disaggregated by region;
 - e. The likely cost to administer larger numbers of lists through increased consultation, data modelling and regional analysis;
 - f. The marginal benefits gained from increasingly smaller regions and the meaningful level of variation between labour markets at the ANZSCO 1-3 level.
 - g. The capability and resourcing of a region to engage with the process of regularly renewing a regional skills shortage list, and the increased pressure this would place on regions the smaller the regional definition gets.
2. The assessment is primarily one of the practicalities of implementation.

Officials recommend a 15 region model

3. Officials considered a range of options, including:
 - a. Using the 67 territorial authorities, or a combination of these to develop custom regions;
 - b. Developing customised regions based on analysis of labour market areas;
 - c. Using the 15 standard geographic regions;
 - d. Using the 11 WINZ regions, each of which has a regional commissioner;
 - e. Splitting the main geographic regions into 'sub regions' (for example Hamilton and South Waikato, Christchurch and South Canterbury, Queenstown lakes and Dunedin) on an exceptions basis;
4. The two most practical options are c) and d), as they best balance the availability of data, the desire of regions to have a voice in development of their own lists, the administrative burden of renewing lists, and the institutions and organisations that exist in the regions to support their administration.
5. The 15 regions proposed to be used are:
 - Northland
 - Hawkes Bay
 - Nelson-Tasman

- Auckland
- Waikato
- Bay of Plenty
- Gisborne

- Taranaki
- Whanganui-Manawatu
- Wellington
- Marlborough

- West Coast
- Canterbury
- Otago
- Southland

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