

Aide-Memoire: Update on the establishment of Workforce Development Councils

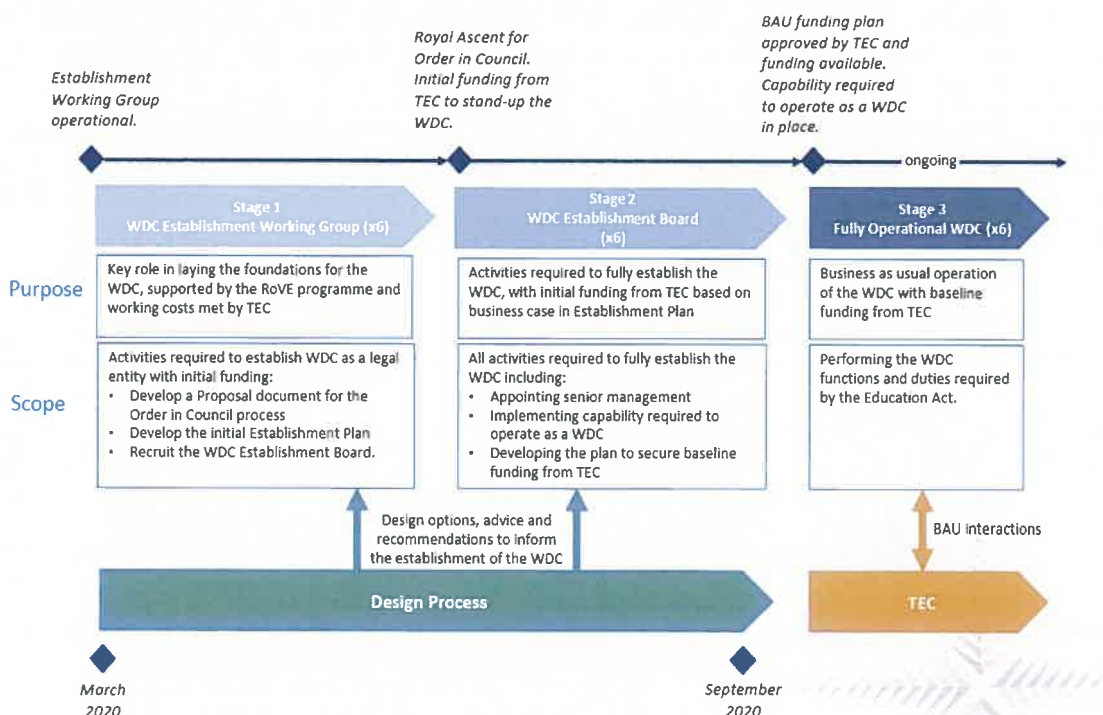
To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive, Delivery
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Updating you on our WDC establishment process

1. This aide-memoire provides an update on our process for establishing Workforce Development Councils (WDCs) and feedback on the WDC coverage areas.
2. The timelines and approach covered in this paper have been developed through discussions with the sector. Resolution of some outstanding coverage issues with a small number of industry groups is critical as the objective is to do this change with industry not to them. As noted in this paper, discussions focus on ensuring all groups understand the role of a WDC and how their voice will be heard in the new model.

WDCs will be established through working groups with support from a WDC design process

3. The following diagram sets out our approach to support industry to establish the WDCs:



4. The approach consists of industry-led working groups, initial WDC establishment boards and design and support functions (facilitated by the RoVE programme).

Establishment working groups

5. Each WDC will have its own establishment working group. Ideally members will be selected from industry, by industry. However, officials will provide options for the selection process and facilitate these if wanted. Should industries fail to identify a working group with the relevant skills and experience within a reasonable time frame, officials will need to intervene.
6. Selection should be based on both individual and collective experience and expertise to carry out the activities needed to formally establish WDCs. Officials will provide a list of relevant competencies and experience to help industries identify suitable members.
7. The working groups will be responsible for developing the content for the Order in Council, consulting with industry sectors on this content, identifying initial establishment board appointments and agreeing a WDC establishment plan. The establishment plan will provide the incoming WDC board and chief executive with a blueprint for establishing the new organisation and form the basis for interim funding from the Tertiary Education Commission (TEC).
8. The Order in Council and establishment plan must have the support of the industries the WDC will represent. The establishment working group will need to demonstrate engagement and consultation with its industries. It also needs to ensure that the governance arrangements for the WDC meet the final legislative requirements.

Establishment Boards

9. Once the Order in Council has come into effect for a WDC, a WDC establishment board will form in place of the working group.
10. The role of a WDC establishment board is to undertake the activities required to establish the WDC to the point where it is fully operational.
11. Activities to be completed by the establishment board include:
 - a. Appointing the senior management for the WDC
 - b. Making final decisions on the operational design of the WDC
 - c. Developing the plan to secure baseline funding from TEC
 - d. Implementing capability required to operate as a WDC
12. Membership of the WDC establishment board will be determined by the working groups.
13. Over an agreed timeframe, establishment board members will be replaced through the governance arrangements set out for each WDC. A business-as-usual board appointment process will then operate.

WDC design process

14. The WDC design process will support the WDC establishment boards to make final decisions on the operational design of each WDC. This guidance will ensure a level of consistency and greater efficiency and effectiveness for each WDC.
15. It will do this by generating high level options and recommendations for WDC operational design, including the processes and capabilities required for WDCs to deliver their functions.

16. Options and recommendations produced by the WDC design process will not be tailored to any particular WDC; they will cover common elements applicable to all WDCs.
17. Two groups will be formed to deliver the WDC design process:
 - a. The Design Group
 - b. The Reference Group
18. The Design Group and the Reference Group will contribute to different parts of the design process.
19. The Design Group, consisting of skills based participants and subject matter experts, will create initial design options and advice.
20. The Reference Group, consisting of a wide group of stakeholders including currently underserved learner groups, employers, industry representatives, unions, providers and senior leaders, will test and refine the Design Group's initial products to ensure they are fit for purpose.
21. Products of the WDC design process will include:
 - a. Descriptions of the functions a WDC is legally required to deliver, and the processes, skills, and capabilities required to deliver them
 - b. WDC operating model options, including operating principles, options for shared services and approaches to cross WDC collaboration

Attracting and selecting people to participate in the WDC design process

22. We aim to attract and select a good balance of skills and experience for the Design and Reference groups.
23. For both groups we are looking for people who are:
 - a. future-focussed thinkers,
 - b. good communicators,
 - c. innovative and visionary, and
 - d. collaborative
24. We will select participants for the Design Group based on their skills and expertise, and the contexts in which they developed them.
25. We will select participants on the Reference Group based on their ability to bring a wider perspective to the design products.
26. Participants can register their interest in being part of the WDC design process through an expression of interest process which is now open. Participants will be selected by a small group of senior officials and stakeholder representatives in late February.
27. We expect the first WDC design process meeting to take place in mid-March. The first set of outputs from the WDC design process are expected to be finalised in early-May 2020 and the last in mid-September 2020.

Feedback on WDC coverage areas

28. Following your announcement on 17 December 2019, our engagement with industry stakeholders, including industry training organisations (ITOs), reflects we have largely landed the coverage areas. The majority of feedback has been positive.
29. However, a small number of industry stakeholders have raised concerns. We are working directly with them to understand and resolve their concerns.

30. The key areas of concern have been raised by professional bodies of the ICT and engineering sectors and by the creative sector body WeCreate. We have met with these representatives to discuss their concerns.
- a. **ICT (Manufacturing, Engineering, Logistics and Technology WDC).**

IT Professionals New Zealand does not believe there is enough “commonality or coherency” between ICT, and Manufacturing and Logistics. In contrast to its initial proposal where IT Professionals New Zealand recognised strong links with other industries, such as the creative industry, but stated that there was not sufficient industry rationale to house themselves with these industries within a WDC, IT Professionals New Zealand now proposes ICT may be better associated with the creative sector.
 - b. **Engineering (Manufacturing, Engineering, Logistics and Technology WDC).**

Engineering New Zealand is concerned it has been placed in a WDC “too diverse with a collection of industries”. In its initial proposal, Engineering New Zealand supported the creation of a core WDC that oversaw a wide range of programmes common to the vocational orientated WDCs such as engineering, literacy and numeracy, general management and commerce, health and safety and ICT or a standalone ICT and Engineering WDC. Engineering New Zealand proposes a standalone ICT and Engineering WDC as its preference.
 - c. **Creative (Creative, Cultural and Recreation WDC).**

WeCreate is concerned about the lack of commonality of vocational pathways, skills required, and the value chain with Sport and Recreation (this is in contrast to their submission where WeCreate stated that creative career paths and prospects share strong similarities with sports and recreation due to the number of solo practitioners and volunteers). It is also concerned that the complexity and diversity of the creative sector will not be met by such a diverse WDC. WeCreate now proposes a Creative, Culture and ICT WDC.
31. We are continuing to engage with these groups to resolve their concerns and will report back to you in the near future. IT Professionals NZ and Engineering NZ have indicated they may approach you and/or the media if a structural change is not agreed. We are not aware of similar concerns from key vocational engineering sectors such as automotive, aeronautical, and mechanical. In our discussions we have noted that each of these industry groups have a small number of qualifications in levels 3 to 6. The majority of IT Professionals NZ and Engineering NZ’s members have degree qualifications.
32. We have also addressed more minor areas around placement in particular WDCs for specific industries such as seafood processing, craft baking, and pest management to the satisfaction of the industries concerned.
33. We have been using the following principles to determine the case for change:
- a. Logical fit
 - b. Industry support
 - c. Size and scale
 - d. Reduction of unnecessary duplication
34. In the case of larger concerns, officials’ preference is to uphold the announced WDC coverage framework unless robust rationale is provided by industry as to why the framework requires review. Our discussions have revealed many concerns arise from a lack of understanding about the WDC’s role and how they are expected to operate.
35. We expect to finalise coverage areas by the end of March 2020, which will be shared with the WDC establishment working groups.

36. Each WDC’s coverage will be described down to the lowest level of the Australia and New Zealand Standard Industry Classifications 2006 in the Order in Council. The 2018 Legislation Design and Advisory Committee guidelines advise secondary legislation must *provide clear boundaries for powers and avoid situations where boundaries are uncertain*. Therefore it is appropriate to use an existing classification system that describes industry coverage. WDCs will be free to describe their coverage in more ‘user-friendly’ ways through their websites and other collateral. The classifications are not perfect but is an established system that is widely understood and used.

Different industry sectors are at different points in the process

37. The following table gives an overview of where different industry sectors are at in thinking about and forming WDCs.

WDC	Progress to date
Construction and Infrastructure	This sector is keen to establish a WDC as soon as possible. A group of industry representatives was formed before Christmas to advance WDC establishment. Officials met with this group in December and a smaller subset in January. We have asked the group to do some stakeholder mapping to ensure the group has representation or endorsement from all its key sectors. We are waiting on an invitation to present the key elements of the establishment process to the wider group. We expect this to happen in the near future and a formal working group to be formed in March.
Primary Industries	This sector is also keen to establish a WDC as soon as possible. We are presenting to the Food and Fibre Skills Establishment Group on 20 February on the key elements of the establishment process. We also expect the creation of a working group to happen in March.
Manufacturing, Engineering, Logistics, and Technology	The relevant ITOs have taken a lead in inviting their industry representatives to a symposium on 14 February. RoVE officials will use the day to present key elements of the establishment process. We will also cover different options for creating a working group that range from industries self-organising through to a more government facilitated process. Further engagement is likely to be necessary before a working group can be formed and ICT and engineering coverage will need to be resolved. We expect a working group to be formed in April.
Service Industries Health, Community and Social Services Creative, Cultural and Recreation	In conjunction with the relevant ITOs, we will begin detailed stakeholder mapping for the other three industry sectors to help inform our industry engagement with them. We are planning wider engagement in May and June and will draw on any lessons from the previous working group processes. We expect working groups for the remaining three WDCs to be formed by July.

38. Attached as Appendix 1 is an indicative timeline for the phased establishment of WDCs. Funding for WDCs assumes phased establishment across two financial years (between now and June 2021). Moving more quickly would create fiscal pressure in the 2020/21 financial year.

Our next update will cover transitioning ITO functions

39. We have continued to work closely with the ITOs and met with them monthly. In January we tested our WDC establishment approach with them which was favourably received. We are meeting with them again on 21 February to discuss transitioning the arranging training functions.
40. The transition of arranging training functions is a complex activity that will need to be worked through individually ITO by ITO. While some ITOs are keen to transition arranging training sooner rather than later, others would prefer to take more time.
41. We will report back to you on the transitions of ITO functions following this workshop.
42. It is intended that this paper is proactively any information which may need to be withheld will be done so in line with the provisions of the Official Information Act 1982.



Gillian Dudgeon

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11 February 2020



Hon Chris Hipkins

Minister of Education

12 / 02 / 20