REVIEW OF BEST PRACTICE IN REGIONAL NEEDS ANALYSIS (INTERNATIONAL AND NATIONAL)

Prepared for Food and Fibre Centre of Vocational Excellence
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CONTENTS

BACKGROUND

The Hawkes Bay Regional Skills Leadership Group (RSLG) is one of 15 RSLGs established by MBIE in 2020 around the motu as part of the Reform of Vocational Education. The intent is for these to be independent advisory groups, locally based and regionally led, to oversee and advise on how to best meet future regional skills and workforce needs. Strategically, RSLGs are part of a joined-up approach to labour market planning to enable our **employment, education and immigration systems** to work together better to meet the differing skills needs across the motu.

Operationally, RSLGs have an influencing and co-ordinating role. Since their establishment in 2020 these groups have gathered intelligence and insights into the skills and training needs and priorities. To support their individual region to meet its workforce needs RSLGs use their insights and advice to:

- inform their local labour market
- shape the regional response to regional issues, and
- influence national decision-making.

All RSLGs released their initial regional workforce plans by the end of 2022 containing a range of actions to progress workforce, skills and economic priorities in regions. These include identifying priority industries, skills and training initiatives, and key partners and stakeholders to progress the actions and solutions identified in the work plan.

PURPOSE AND METHODOLOGY

The Food and Fibre CoVE (FFCoVE) is working alongside the Hawkes Bay RSLG to help implement the first three actions of their Hawkes Bay Regional Workforce Plan[1](RWP).

This brief report looks at Action 3 of the Action Plan within the RWP. The purpose is to offer an operational approach to delivering on this action. The action has two complementary parts:

- to enable a distinct regional needs analysis to be published annually, through
- active engagement with Iwi, the Regional Economic Development Agency (REDA), local government, and relevant providers.

This in essence is the core functions of an RSLG. The Hawkes Bay RSLG, in recognising this, wants to have a clear understanding of how this might be approached. It has, therefore, asked for this report to source current local, national, and international best practice resources and advice.

The information provided in this report can also be used to support similar actions being pursued by other RSLGs and other regions.

This report supplements the paper **Workforce Planning: An International Scan[2]** prepared for the Ministry of Business, Innovation, and Employment. This review provides an overview of workforce planning methodologies around the world, and the labour market interventions arising from them. This report draws from these findings to provide a context and for Action 3

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[1] Hawke's Bay Regional Workforce Plan Te Mahere Ohu Mahi ā-Rohe o Te Matau-a-Māui, 2022
[2] **Workforce Planning: an International Scan** prepared for the Ministry of Business, Innovation, and Employment by Skills Consulting Group (December 2022)

and suggestions as to the next steps the Hawkes Bay RSLG might take in delivering this action.

Lastly, while this report is focused on the longer term strategic and system role of the Hawkes Bay RSLG this will be greatly influenced by the recent impact of Cyclone Gabrielle on Hawkes Bay and the ongoing skills and labour requirements that will inevitably be required to support the rebuild.

The RSLG is acutely aware that much of its advice and insights, in the immediate future, will play a vital part in informing immediate Active Labour Market Policies for the recovery of the region.

WORKFORCE PLANNING LANDSCAPE

To explore what is involved in delivering the annual regional needs analysis objective in Action 3 we need to consider its place in the much larger landscape of workforce planning and workforce development. The starting point, therefore, is to have a clear definition of workforce planning.

Workforce planning refers to proactive and systematic development of activities and interventions to achieve desirable workforce outcomes.

Its core activities and interventions entail forecasting and needs analysis and active labour market policies in the form of an array of social and economic responses to intervene in labour market supply and demand, i.e., workforce development.

In other words, the plan needs to ensure there are the "right people with the right skills in the right job at the right time"[3].

As can be seen from this brief discussion, using a needs analysis is part of the workforce forecasting activity that underpins both the quantitative and qualitative measurement and analysis at the core of workforce planning and development.

There is no one-size fits all solution about "how" to undertake regional needs analysis. There are, however, three key considerations that underpin the wide range of methodologies used internationally:

1. Understand the challenge by measuring, analysing and ascertaining workforce needs

2. Create quality and adaptability to improve the resilience and portability of the workforce

3. Seek to address the difference or mismatch between workforce (or skill) supply and demand

Ideally, the forecasting and needs analyses (including current supply and demand) will be underpinned by robust quantitative data (e.g. unit matched data) to inform workforce requirements and forecasts. In Aotearoa NZ we have the advantage of the Integrated Data Infrastructure (IDI) which enables high-quality data to be combined from multiple sources and matched data to develop plans and understand the impact and effectiveness of interventions.

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[3] Workforce planning: a literature review (employment-studies.co.uk)

There are also other available resources locally that can be sourced (indicated in Action 3):

- qualitative information and insights gathered from stakeholders can also help to inform and complete information gaps where data can't.
- quantitative data will be available from iwi and hapu, Māori organisations, local bodies and regional councils, business organisations, unions, education providers.

To be effective, workforce planning needs to be evidence driven and ideally should account for external factors as well as evidence of supply and demand, and need.

To this point, Anahita Safarishahrbijari[4] proposes that workforce planning ought to include not just supply and demand considerations but also a needs-based element. She makes a distinction between what the industry thinks it needs and what it actually requires in terms its workforce. Consequently, if industry perceives their need as one thing without adequate analysis of actual need, then the accuracy of workforce plans may be flawed.

This is where data, analytics and insights become most useful in workforce planning.

In the current external context, any regional analysis will also need to include the ongoing impact of Covid-19, national policy settings, global impacts and for Hawkes Bay at this time, the impact of Cyclone Gabrielle.

To undertake a regular regional needs analysis requires the application of a workforce planning model. This paper presents two international models that can be contextualised and utilised at a regional level for the purposes of regional needs analysis and workforce planning.

The first shown is the OPM model which also outlines methodologies for how the RSLG might approach this planning on an annual basis. The second is the McKinsey Model, which demonstrates how to use workforce planning for workforce development.
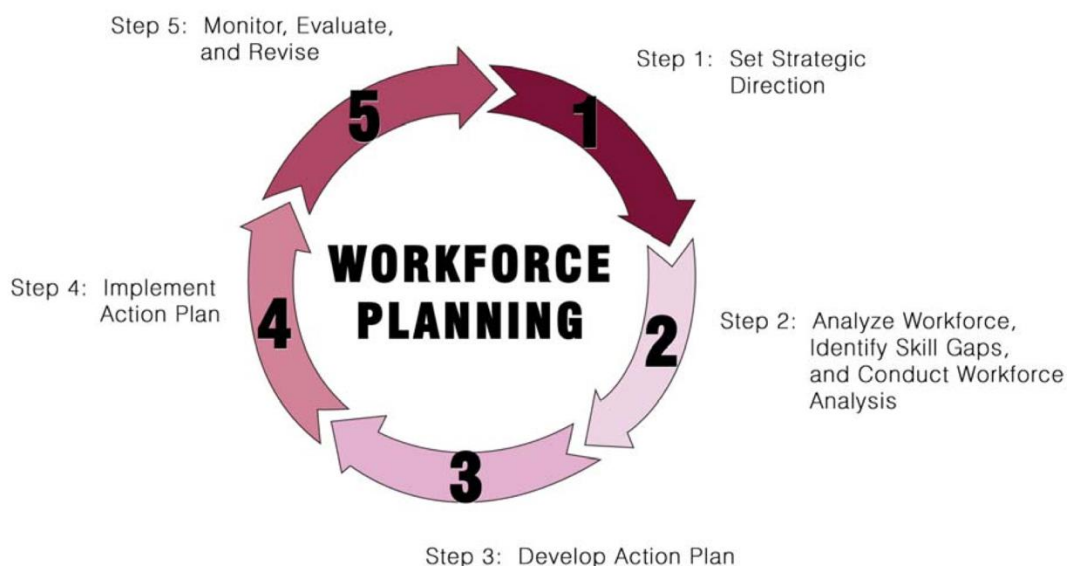
The OPM Model

The US Federal government office of personnel management (OPM), which supports US agencies to meet HR needs, outlines five steps in its workforce planning model [Figure 1][5]:

While this is focused on organisation-level workforce planning it offers a very adaptable planning structure both in the form of a feedback loop and planning cycle.

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[4] **Workforce Forecasting Models: A Systematic Review**, Journal of Forecasting, August 2018
[5] https://www.opm.gov/policy-data-oversight/human-capital-framework/reference-materials/strategic-alignment/workforceplanning.pdf

Step 5: Monitor, Evaluate, and Revise
Step 1: Set Strategic Direction
Step 4: Implement Action Plan
Step 2: Analyze Workforce, Identify Skill Gaps, and Conduct Workforce Analysis
Step 3: Develop Action Plan

The OPM describes workforce planning as "the systematic process for identifying and addressing the gaps between the workforce of today and the human capital needs of tomorrow".

They consider that effective workforce planning enables the organisation to:

- Align workforce requirements directly to strategic and annual business plans,

- Develop a comprehensive picture of where gaps exist between competencies the workforce currently possesses and future competency requirements,

- Identify and implement gap reduction strategies,

- Make decisions about how best to structure the organisation and deploy the workforce, and

- Identify and overcome internal and external barriers to accomplishing strategic workforce goals.

The OPM model provides an example of workforce planning as a simplified five-step process that can be applied to any level, micro (organisational) or macro (regional/national). It clearly articulates the overall high-level concepts involved when thinking about workforce planning.

It can be further broken down below to demonstrate the process steps within an integrated workforce planning model.

The following provides you with a guidance on how to apply this model.[6]

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[6] Workforce Planning Guide, US Office of Personnel Management, Nov 2022. https://www.opm.gov/policy-data-oversight/human-capital-framework/reference-materials/talent-management/workforce-planning-guide.pdf

Step one: Set strategic direction

Setting the strategic direction involves understanding your strategic documents and plans and aligning your workforce planning process to outcomes and goals.

This includes alignment and consideration of:

- national and regional legislative requirements,
- policy objectives,
- scenario planning for both short- and long-term impacts,
- an environmental scan – what political, social, environmental, technological factors could impact the workforce,
- identify stakeholders,
- anticipated funding for the next few years, and
- establish metrics to measure success against milestones.

Step Two: Conduct a workforce analysis

To conduct a workforce analysis requires the use of data to determine demand, supply, gaps, and risks.

It involves understanding the current workforce and how it is projected to change over time due to accessions, attrition, and trends. It also involves understanding and measuring education and skill demands, workforce gaps and risks, and talent supply.

Understanding supply and demand requires forecasting. To do this, you will need appropriate data for analysing the current workforce and to identify any gaps. Data analysis should include:

- Identifying those crucial occupations and skills required by the region to achieve the goals set out in the strategic plans.
- Undertaking an environmental scan to understand any external factors that may impact on labour supply and the workforce.
- Identifying the training and education needs of the workforce to support any current gaps in competencies and to establish a longer-term pipeline of talent. Analysis should include - current numbers of workers in the region, recruitment needs, attrition, workforce demographics etc.

A workforce analysis also needs to include a gap and risk analysis.

This means evaluating the gap between current supply and forecasted demand. This then needs to be considered against any identified risks that may impact on the workforce. This could be done via a number of methodologies however, OPM model suggests using a SWOT analysis – identifying Strengths, Weaknesses, Opportunities, and Threats.

Step Three: Develop a Workforce Action Plan

The Workforce Action Plan is generally long term 2-3 years and requires the identification of strategies aimed at closing skill and/or workforce gaps, a plan to implement strategies, and measures for assessing progress. It should also link to any strategic plans, include the workforce analysis, contains metrics to measure success, track milestones and identify resources, defines what success looks like or the desired outcomes.

Step Four: Implement and monitor the Workforce Action Plan

Implementing and monitoring the Workforce Action Plan involves ensuring access to the resources required for the plan, roles and responsibilities of all parties are understood and communicated. It also involves monitoring progress against the established milestones.

While the RSLG isn't directly responsible for implementation they can help advise those organisations to implement the plan – central government, local government, education providers etc.

**Step Five: Evaluate and revise the Workforce Action Plan**

Evaluating and revising Workforce Action Plan involves continuous improvement, this may mean the plan needs to be adjusted to account for any unforeseen circumstance or to address new workforce issues. This means:

- Evaluating any feedback from stakeholders,
- Identifying if there are any other factors that may need to be included in the plan
- Measuring progress made against the set milestones, targets etc this may mean adjusting or revising them as needs change.
- Determining if actions were successful and where any barriers to success occurred.

The McKinsey Model

The McKinsey Model proposes seven initiatives used to undertake workforce planning. This model has been designed with the impact of digitalisation and automation in mind however the framework can be used to support wider workforce development. While this model was developed in the US for their federal state system, it can equally be applied to a regional context here in Aotearoa.

Seven initiatives can transform workforce development.
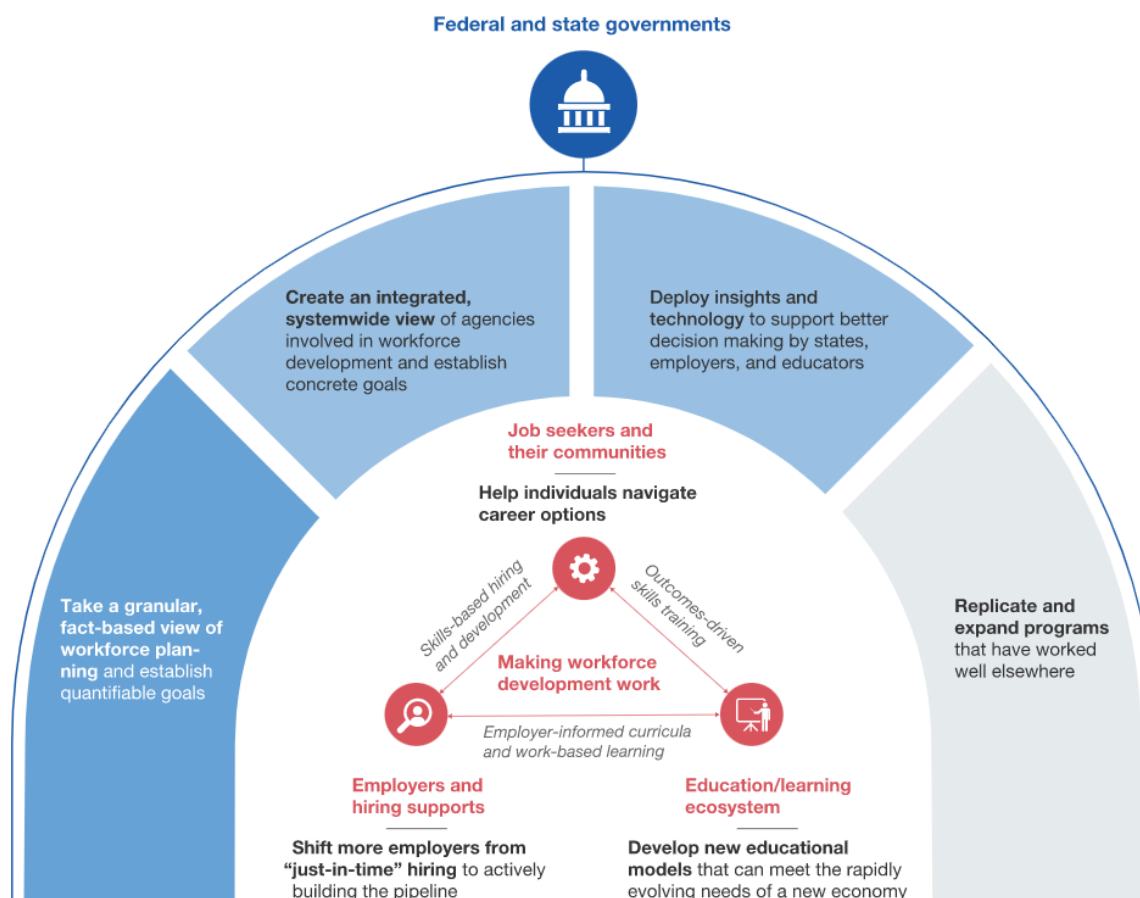
McKinsey&Company

The following is an explanation of each step, however McKinsey notes that to be truly effective the steps are interrelated and should be practised in a strategic coordinated way.

Step One: Develop new educational models that can meet the rapidly evolving needs of a new economy.

McKinsey proposes that government needs to investigate and implement new education programmes that specifically meet the needs of the employer and the rapidly changing workforce. Due to the constant changing nature of life and work, education becomes a continual requirement and that education models/programmes will need to adapt to meet these demands. Governments will need to create systems that are more flexible and responsive to employer and market needs and help facilitate the associated learning required to meet these demands.

Step Two: Shift more employers from hiring to actively building the pipeline.

The McKinsey model proposes that governments need to start incentivising and promoting employers to invest in a talent pipeline for example youth apprenticeships. This will ensure a future pool of talent to meet priority workforce areas.

Step Three: Take a granular, fact-based view of workforce planning and establish quantifiable goals.

The model proposes that governments take account of both long-term and short-term workforce needs and look to understand the current strengths and weaknesses inherent in the system. Governments then need to consider and identify growth sectors and what skills are needed now and in the future. This analysis needs to further consider what talent is currently available and what systems or initiatives are required to grow those skills and talent to meet future priorities and needs.

Step Four: Create an integrated, system wide view of agencies involved in workforce development and establish concrete goals.

Essentially this step is identifying which government agencies (national and regional), organisations, education providers, NGOs, etc. share the responsibility for workforce development. It then suggests that these organisations share and help to reinforce each other's strategies to create a coordinated approach to workforce planning and development and design a coherent set of goals.

Step Five: Deploy insights and technology to support better decision making by states, employers, and educators.

McKinsey supports the use of technology to gain insights to support workforce development and planning. These tools are to be used to create programmes, job seeking programmes, and make connections between employees and employers. Furthermore, the data collected can help inform policy and the development of effective education programmes.

Step Six: Help individuals navigate career options.

Better support for people seeking employment and remaining employed is seen as crucial. McKinsey proposes using pastoral care and implementing best practice career coaching to support people into employment and to facilitate career planning and development.

Step Seven: Replicate and expand programs that have worked well elsewhere.

The model supports governments identifying, replicating, and scaling up programmes that have achieved measurable results.

Either of these two models provides practical methodologies for developing and implementing a workforce development plan. OPM is a strategic model aimed at aligning strategic planning and policy with workforce development, whereas the McKinsey model provides practical steps for how to implement workforce planning and development.

NEXT STEPS: SUGGESTIONS AND CONSIDERATIONS

The models outlined above can all be used to create an approach to workforce planning and workforce development that will benefit individuals as well as organisations and sectors.

Ultimately, it has the potential to optimise the utilisation, maximisation, and efficient deployment of skills.

Overall good workforce planning informs good workforce development. It must be evidence driven, considers the labour market, workforce priorities, and regional development needs.

Quality regional analysis is where data, analysis and insights join together to become most useful in workforce planning.

The question therefore becomes - how might the Hawkes Bay RSLG achieve quality regional analysis and make an impact on workforce planning and development for Hawkes Bay?

1. Agree and define the RSLG role in regional needs analysis in Hawkes Bay.

2. Agree on a workforce planning model that helps to define your data and insights role.

3. What can be learned and shared with other RSLGs about regional needs analysis for workforce planning and workforce development?

4. What local data and insights does the RSLG need for a Hawkes Bay regional needs analysis? This is across the three areas that cover the workforce – employment, immigration and education.

5. What national data and insights should the RSLG receive/have access to enable a Hawkes Bay regional needs analysis?

6. Does the RSLG have the capability and capacity to measure, collate, analyse and present the data? Assuming the answer is no, which organisation locally is best placed for the RSLG to partner with?

7. Consider, establish and agree active collaborations around data and insights that the RSLG needs to perform its role nationally and locally.

8. Align RSLG workforce planning to other strategic plans for Hawkes Bay workforce development. For example, the Regional Economic Development Strategy and Action Plan (Matariki), education providers, health workforce, the Port project.

9. Identify large and small workforce planning and development success stories in your region.

10. Establish a strategy to influence workforce planning capability in Hawkes Bay.