THE FUTURE OF WORK

Labour
## Contents

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Andrew Little MP Labour Party Leader</td>
</tr>
<tr>
<td>5</td>
<td>Grant Robertson MP Chair of the Future of Work Commission</td>
</tr>
<tr>
<td>6</td>
<td>Overview</td>
</tr>
<tr>
<td>14</td>
<td>Summary of Recommendations</td>
</tr>
<tr>
<td>16</td>
<td>The Commission</td>
</tr>
<tr>
<td>20</td>
<td>Education and Training</td>
</tr>
<tr>
<td>30</td>
<td>Security of Work and Income</td>
</tr>
<tr>
<td>44</td>
<td>Māori and the Future of Work</td>
</tr>
<tr>
<td>48</td>
<td>Pasifika People and the Future of Work</td>
</tr>
<tr>
<td>54</td>
<td>Technology: Impacts and Opportunities</td>
</tr>
<tr>
<td>68</td>
<td>Economic Development and Sustainability</td>
</tr>
</tbody>
</table>

Prof Robert Reich was a keynote speaker at the Future of Work Commission Conference in March 2016. He is pictured with Labour Leader Andrew Little and Commission Chair Grant Robertson.
Andrew Little MP
Labour Party Leader

For our entire 100-year history, Labour has been the party of work and of working people.

We see work as the best means for social and economic advancement. It’s not just about the ability for people to earn an income and stand on their own two feet. It’s about people having the dignity of work: a place and a purpose in the community.

Right now the world of work is changing dramatically. New technology is rapidly changing the way we work and the opportunities we have for work. A tsunami of change is coming, and we need to prepare now so that no one is left out or left behind.

One of my first acts as Leader of the Labour Party was to establish our Future of Work Commission. We wanted to bring together the best ideas from business, academia, unions, and the community, both in New Zealand and overseas. Our goal is to develop plans and policies now that will allow New Zealand to meet the challenges that come with the future of work.

In this report, you’ll find new ideas, new thinking, and new solutions to take us forward. They are the results of nearly two years of collaborative work.

This major piece of work for our party was developed with the help of hundreds of external people, thinkers and speakers. I want to thank and pay tribute to everyone involved, but especially to Grant Robertson who has done an outstanding job of leading the Commission’s work.

It’s not just about the ability for people to earn an income and stand on their own two feet. It’s about people having the dignity of work: a place and a purpose in the community.
One report cannot fix every issue. We have concentrated on recommendations that we believe will be critical in providing decent work and a good life for New Zealanders.
There is reason to be optimistic about New Zealand’s future and the future of work generally. If we make clear and positive policy choices we can build on our terrific natural resources, innovative and creative people and the solid foundations laid by previous generations to create a future marked by shared prosperity.

This needs a renewed social partnership between an active and capable government, a business sector focused on innovation and inclusion and workers given a stake in their future and the opportunity to build wealth from the ground up.

If we do this, work in all its forms will continue to be a core element of our society giving New Zealanders income, a sense of purpose and chance to shape the future for them and their families.

**Background**

In recent years, we have seen a large volume of work devoted to crystal-ball gazing about the ‘rise of the robots’ and the end of work as we know it in a future dominated by automation and artificial intelligence. The work of Frey and Osborne that has been replicated around the world tells us that nearly half of current jobs (46% in New Zealand) are under threat from automation in the next 10–15 years.¹

In response to this, the countervailing view has begun to emerge, that we have seen waves of change in the world of work before and they have never lived up to the hype. It is argued by some that Frey and Osborne’s work has been unpicked to show that it is not whole occupations that are under threat, but rather tasks within jobs that have been automated, and that the figure could be as low as 8% of jobs that will cease to exist.²

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‘The best way to predict the future is to invent it.’
Alan Kay

What our Future of Work Commission process has highlighted is that we do not need a definitive answer to appreciate that the nature and experience of work is changing rapidly. Our best response is to prepare ourselves to be in a position to both respond to and shape the future on the basis of our values and the outcomes we desire.

The pace of change is undoubted. The uptake of technology in the digital age is at a pace estimated by McKinsey’s to be ten times that of the industrial revolution at three hundred times the scale. The impact of artificial intelligence, 3D printing, sensors, algorithms, and robots has only scratched the surface of what is possible. Higher levels of unemployment from rapid automation, and less full time stable work seem likely.

As Klaus Schwab said, ‘this revolution is fundamentally different in nature, characterised by a range of new technologies that are fusing the physical, digital and biological worlds impacting all disciplines, economies and industries.’

Along with technological change, the other key factor driving change is globalisation. The movement of people around the world in search of work and security is unprecedented. The movement of capital is similarly expansive, and the combination of the two has seen the simultaneous opening of markets and opportunities, and destruction and hollowing out of industries and jobs. Technology interacting with globalisation left to its own devices is set to hasten and deepen both of these effects.

The fundamental premise of our Commission is that the Future of Work is not predestined, and it can be guided by our policies and our priorities. The tide of technological innovation and change will continue. Our job is to ensure that we do not fall victim to ‘techno-determinism’ that sees us as merely passive recipients of this change, but rather that we adopt and adapt to ensure people have lives of fulfilment and dignity.

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1. Automation:
   - Ever-smarter machines performing ever-more-human tasks

2. Opportunities:
   - Lower barriers
   - More flexibility
   - Wider markets and more specialisation

3. Risks:
   - Unemployment
   - Inequality
   - Insecurity

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Major themes

The value of decent work

‘Workers aspire to live lives they have reason to value, that is to be capable humans – not just skillsets for the workplace.’ Jane Bryson

Throughout the Future of Work Commission the importance that New Zealanders place on work has been reinforced. Work does translate to income, and in turn to the choices that income provides. We have heard from Kiwis who feel they are working hard, long hours and often in more than one job, but they are ‘running hard to stand still’. Their wages have been stagnant, and they are not keeping up with the cost of living, particularly in housing. There is greater stress and anxiety about retaining work and the expectations placed on people while in work.

In addition we need to recognise the importance of non-income measures in decent work. There is a sense of dignity in work, and a desire for work that is fulfilling and part of doing good. This is what people value about their work – the skills they gain, the relationships they develop, the recognition they receive, and the autonomy that they are accorded. Decent work needs to include all of these.

Decent work should be possible whether it is in a traditional workplace, or for a contractor as part of the ‘gig economy’. Insecure, precarious, undervalued, or poorly paid work dressed up as flexibility does not meet these criteria.

Where people choose to build their work around their lives, and are supported by flexible arrangements, this is a positive development. But for many people who are now classed as self-employed, there is little choice involved.

We believe we must underpin all future working arrangements with the same set of values and principles regardless of their nature. One of the highlights of the Future of Work Commission has been to hear stories of new models of ‘workplace democracy’, which give workers more of an opportunity to participate and feel valued.

What makes a decent workplace

Te Huarahi Mo Ngā Kaimahi: The CTU Vision for the Workplace of the Future describes the five features of what decent work and a decent workplace look like:

1. Highly productive – add value to quality goods and services and reward workers with high wages and excellent conditions of work.
2. Centre of lifelong learning – invest in people, lift transferable skills, and constantly strive to develop the workforce.
3. Fair workplace practices – a high-trust environment that values participation, diversity and flexibility.
4. Strong networks – constructive partnerships with others in industry, community and government.
5. Healthy, safe and sustainable – work is engaging, rewarding, and recognises life outside of work.

‘Workers aspire to live lives they have reason to value, that is to be capable humans – not just skillsets for the workplace.’

Jane Bryson
Risk of growing inequality

The last two years have been marked by increased attention to the impact of inequality on our societies and our economy. In New Zealand while the economy has been growing, using traditional measures such as GDP, it is clear that the benefits of that growth have not been evenly distributed.

Since 2009 the share of growth in our economy that has gone to labour has decreased from 50% to 37%.\(^8\) Statistics New Zealand’s latest wealth-distribution figures indicate that the top 10% in New Zealand has 60% of the wealth, up from 55% five years ago.\(^9\) The top 10% of earners now have ten times the wealth of the bottom 10%. This is the biggest wealth gap since at least the 1980s.\(^10\)

During the two years of that the Commission has been operating, a significant shift in thinking has taken place on the impact of this inequality. The International Monetary Fund has suggested that raising incomes for the poor and middle class yields measurable improvements to the national economy, increasing the income share to the bottom 20% of citizens by 1% results in a .38% jump in GDP growth.\(^11\)

In this environment, the future of work runs the risk of increasing this inequality. As automation takes hold, there has been a hollowing-out of those ‘in the middle’ whose jobs have been associated with clerical or easily automated tasks. Equally those in low-skill jobs have suffered the same fate, or found themselves in ever more casualised roles, with poor work conditions, low and stagnant wages and high levels of insecurity. At the same time, those with in-demand technical skills, and at management level have seen large pay increases. In New Zealand, the average chief executive salary has increased by 12% in the last year, compared with around 3% for average workers.\(^12\)

It is impossible to address the issue of inequality in the Future of Work without considering wider macro-economic settings. The lesson of this project is that the flawed logic of ‘trickledown’ economics has been fully exposed. What is now needed is a new approach that takes the opportunity offered by the changing nature of work to develop a new economic paradigm that values building wealth from the ground up. It needs to be an approach in which we are first and foremost citizens not consumers, where we value welfare of the people before the profit of the few.

The proposals contained in this report work towards that goal. However, there are other areas not directly covered by the Commission’s work, that the next Labour Government will work on to support this goal. These include:

- A Tax Working Group charged with recommending structural changes to our tax system to rebalance it to fairly tax wealth and assets alongside income, bearing in mind the changes to work that lie ahead.

- A review of Monetary Policy to ensure it supports the objectives of an inclusive and productive economy and the overall wellbeing of New Zealanders. This will include looking at what other objectives could be added to the inflation-targeting focus of the current legislation.

- Developing alternative measures to GDP to more accurately and fairly measure our economic and social progress.

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\(^8\) Parliamentary Library calculations from Statistics New Zealand’s National Accounts (Income and Expenditure) Year ended March 2015. Infoshare Database.


\(^12\) NZ Herald. May 2016. Herald executive pay survey.
Reconciling flexibility and security

The changing patterns of work, driven by technology, are already apparent. From large workplaces adopting open-plan, ‘hot desk’ environments to flexi-time arrangements, few people would recognise their workplace from even a decade ago. Many more New Zealanders are self-employed, managing a portfolio of work that is built around their lives.

From talking to young people in particular, there was a desire less to talk about the jobs that they would do in the future, but rather the work that they would create.

Work as a 40-hour a week exercise, directed by someone else, undertaken in the same location each day is neither a reality for many, nor desired. We have met many people, young and old, who are seeing enormous opportunity through technology, social entrepreneurship, new ways of organising work, shared value creation, and less hierarchical business models to create decent work.

At the same time, a great many more New Zealanders have precarious work experiences. They are unsure of how many hours they will work each week, enormously distanced from their actual employer through a layer of contracting, and disempowered through casualisation and short-term contracts. They may be working two or three jobs simply to make ends meet.

While fewer New Zealanders are engaged in the so-called ‘gig economy’ than in other countries such as the United States, we need to set the rules under which we expect any form of employment to take place so that it is decent work.

The Future of Work in New Zealand needs to strike a balance between supporting the innovation that comes from flexibility with the right to secure and fair conditions of employment. Unions will continue to play an important role in this as part of a strong social partnership that values work and workers.

A path forward – inclusion, resilience and adaptability*

After two years of work, it is clear that Niels Bohr’s warning is ever more true. Predicting whether a particular industry or job will exist or what will replace it is fruitless. What we must do is map a path that gives New Zealanders the confidence to face and lead the change.

We will do this by being clear that both our economy and society and those who work and live in it need to be prepared. We need to be inclusive, offering opportunity and harnessing the talents of all, having an economy that delivers a share in prosperity to all our citizens. We need to be resilient to deal with the changes and shocks that are coming our way, and we need to adapt to be able to lead the change and shape it in line with our values of fairness, sustainability and innovation.

Above all, we need to work together to offer lives of purpose and meaning to our people. This means across government, business, unions and the community forming a new social partnership that places decent work and a good standard of living for all people as our priority. It is only with this unity of purpose for our economy that we will be able to face the future of work with confidence.

* Acknowledgement to David Coats for this concept.
A just transition

Wherever there is change there is the risk that people will become casualties. We owe it to all those affected by the rapid change in the world of work to support them to ensure a just transition.

It is our view that this requires a commitment to active labour-market policies not seen before in New Zealand. We believe that every person who has their work disrupted or eliminated by the changing world of work needs to be supported to be trained and re-trained. The absence of skilled workers was the number one issue that the business community raised with the Commission. We can’t rely on the market to provide, or immigration alone to import, our solutions.

We want this to be delivered through a partnership of government, business and unions to identify training needs early on and deliver on those continually to support people into new and meaningful work.

Equally, for a just transition we have to face the reality that in a world where full-time paid work may become less certain that we will need to think again about income security. Part of this is in short-term income support measures, and to lift minimum wages and support a living wage. This also requires long-term work on different approaches to how we value unpaid and voluntary work, and further investigation of basic income provision.

Similarly as we move to our goal of a low-carbon economy, we need to support a just transition for those communities and workers who find their livelihoods under threat. Climate change and its global impact was ever-present in the work of the Commission. There is significant interest in how we can continue to offer decent work that also supports our goals to be a low carbon economy.

We saw numerous examples of this in our work from ICT to Forestry. This is an opportunity for New Zealand to lead and to innovate. We must be active in our support of these approaches and clear in our expectations and our goals if we are to provide our economy and our people with the resilience and adaptation needed to have a just transition to the new world of work.
Learning for life

The most important single driver of inclusion, resilience and adaptability in the future of work is education and training. We live in a world where the notion of completing your training and educational journey at the end of high school is wholly inadequate. We will only maintain our standard of living and create purposeful work if we adopt a ‘learning for life’ approach. This requires a significant change from focusing on the cost of education and training to one in which it is viewed as an investment by society.

That is why the first major policy announcement from the Future of Work Commission was for three years of free post-secondary school training and education. This is a clear statement that we want all New Zealanders to build and develop their knowledge and skills, and that this is the path to a more prosperous and inclusive nation. As part of this we must value far more non-university training and education, through greater support for trade training and apprenticeships.

This approach has to be built from a broad base, with a focus on supporting the potential of young New Zealanders, and developing the attributes they need in a changing world – creativity, collaboration, connectedness. We recognise the importance of innovation and technology, but these are only part of the picture. We need to invest in humanities, the arts and design as much as science, engineering and technology.

We are proposing changes in the focus of our educational system to support unlocking the potential of every student. We need to focus less on rigid standards and assessment processes and more on the individual interests and learning needs of each student. This includes a strong partnership between schools, businesses and the community to support every student to have a plan for their career, for careers advice and guidance to be an integral part of their educational experience and for programmes that mix school and work-based learning to be available.

Building wealth from the ground up

The opportunity exists in the Future of Work for working people to have greater control over their economic destiny. From a greater sense of ‘workplace democracy’, as exemplified by Air New Zealand working with E Tū and other unions on High Performance Engagement, to the ease of creating a global business through your smartphone, we have the opportunity to be a leading nation in generating wealth from the ground up.

There is a political element to this approach as well. The sense of alienation felt by those who have not benefited from globalisation, who have seen their industries and communities hollowed-out is a driving force of political change, division and instability worldwide. If New Zealand is to avoid falling victim to these forces, we need to an economy that gives everyone a stake in its success.

New Zealand is already a nation where small and medium businesses dominate our landscape. It is also a place where innovation has thrived in our garages and workshops. We must now take the opportunity to develop this further. There are numerous new models of business and work that can do this. We must remove the barriers to growing these types of work whether they are regulatory, skill deficits, or a lack of capital.

There is a generation of socially minded entrepreneurs and creators of value who will make New Zealand proud if we are prepared to support them. That is why we have already announced a Young Entrepreneurs Programme to give 100 young New Zealanders each year the opportunity to develop their smart and innovative ideas.

We want to support every New Zealander to have opportunity in the future of work. This means a clear commitment to digital equality. No matter where you live or what your background is, we must ensure that all
our people have access to technology and the ability to understand how it can act as a tool to create better lives.

Our young Māori and Pasifika communities should be at the forefront of growing our prosperity. The message received by the Commission from these communities is that a heavy investment in education, and a partnership to support indigenous and grassroots economic development is essential to harnessing these opportunities.

There is a tiring of the deficit mindset that sees these communities as ‘vulnerable’ instead of being full of potential. We understand that this requires a long-term investment, but one that will have rich rewards.

**An active and capable state**

Just as the clock has turned on the failed notion of ‘trickledown economics’ so it has on the idea of a hands-off state being able to deliver a prosperous and decent future of work. Leadership and innovation in government are core requirements to harnessing an inclusive, resilient and adaptable future and decent work for all.

The government as an active partner in economic development is essential. Throughout our project we have heard that communities and regions can see potential for their residents to live good and fulfilling lives. They are not looking to be told what to do by central government, but they do want to know that we are all in this together. The government must use the levers it has to partner in every region in New Zealand to support sustainable and decent work. In this report, we propose business clusters as an example of how this can happen. In general, we see the need for strong regional development projects and investment in our infrastructure around New Zealand.

Similarly in all of the interactions between state and citizens we need to be looking to develop the social partnership further. We imagine in this project a Work and Income office that is not just a processing and transacting agency for beneficiaries, but a central point in supporting people to train, work and thrive.

**Inventing the future**

Our productivity and prosperity as a nation requires us to not just accept the change, but to get in front of it. To support the aspiration of future generations we need to substantially lift our game in science, research and innovation. This is how we will meet Alan Kay’s challenge to invent the future. We must not simply be the test-bed for others’ ideas and inventions, but use our superb natural resources and human capability to lead and shape it with our values.

Once again this will be driven by a strong partnership between our scientists, businesses, workers, and government. We need a sustained and significant lift in our investment in research and development in the public and private sector if we are to lift productivity. This will include an investment in basic science, research, better collaboration between government and private sector, and a shared vision for how to harness all of that to create decent work.

In the words of former Australian Prime Minister Gough Whitlam, we are faced with a choice between the fears and the habits of the past and the demands and opportunities of the future. Through the Future of Work Commission, we have laid out the framework and some of the policies that will lead us to make the choices that will deliver an inclusive, resilient, and adaptable economy and enable people to face whatever comes with confidence.

## Summary of Recommendations

### Education and Training

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<thead>
<tr>
<th>Recommendation</th>
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<tr>
<td><strong>E1</strong></td>
<td>Create new measures for recruiting, training, and supporting the best teachers</td>
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<td><strong>E2</strong></td>
<td>Provide professional development for teachers in technology</td>
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<td><strong>E3</strong></td>
<td>Support technology in schools</td>
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<td><strong>E4</strong></td>
<td>Provide all schools leavers education based on a broad curriculum</td>
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<td><strong>E5</strong></td>
<td>Invest in the Youth Employability Passport</td>
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<td><strong>E6</strong></td>
<td>Teach school leavers financial literacy</td>
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<td><strong>E7</strong></td>
<td>Make driver licensing part of the core-skills toolkit for secondary school teachers</td>
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<td><strong>E8</strong></td>
<td>Transform careers advice so that every secondary school has highly trained, skilled careers advisors</td>
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<td><strong>E9</strong></td>
<td>Establish an Employer Incentives Scheme to pay employers a bonus for apprenticeships completed</td>
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<td><strong>E10</strong></td>
<td>Continue to support Gateway and STAR</td>
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<td><strong>E11</strong></td>
<td>Establish a Labour Market Development Policy Unit to monitor work patterns to match industry training</td>
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<td><strong>E12</strong></td>
<td>Develop a New Zealand Skills Strategy for the 21st century</td>
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<td><strong>E13</strong></td>
<td>Restore skills leadership for ITOs</td>
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<td><strong>E14</strong></td>
<td>Establish skill-shortage levies to fund training in industries</td>
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<td><strong>E15</strong></td>
<td>Introduce 3 years free post-school education and training</td>
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<td><strong>E16</strong></td>
<td>Establish a Young Entrepreneurs Plan proving $20,000 towards starting a new business</td>
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<td><strong>E17</strong></td>
<td>Support hop-on, hop off training</td>
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<td><strong>E18</strong></td>
<td>Create gateways back into education for older New Zealanders</td>
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<td><strong>E19</strong></td>
<td>Build on Māori and Pasifika trades training</td>
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### Security of Work and Income

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<tr>
<td><strong>S1</strong></td>
<td>Every worker who loses their job as a result of technological change provided retraining and support</td>
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<td><strong>S2</strong></td>
<td>Create a Training Incentive Package for the unemployed</td>
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<td><strong>S3</strong></td>
<td>Create new employment-relations framework and collective-agreement targets</td>
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<td><strong>S4</strong></td>
<td>Increase resourcing for workforce engagement</td>
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<td><strong>S5</strong></td>
<td>Support self-employment</td>
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<td><strong>S6</strong></td>
<td>Track benefit-exit outcomes</td>
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<td><strong>S7</strong></td>
<td>Enable work for beneficiaries</td>
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<td><strong>S8</strong></td>
<td>Abolish secondary tax</td>
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<td><strong>S9</strong></td>
<td>Smooth benefit-transition processes</td>
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<td><strong>S10</strong></td>
<td>Investigate alternative income-support models</td>
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<td><strong>S11</strong></td>
<td>Recognise volunteering as work</td>
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<td><strong>S12</strong></td>
<td>Review work obligations for beneficiaries with children</td>
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<td><strong>S13</strong></td>
<td>Implement culture change at Work and Income</td>
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<td><strong>S14</strong></td>
<td>Advocate for better work practices for mature workers and engage them through mentoring programmes</td>
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<td><strong>S15</strong></td>
<td>Support more women into self-employment</td>
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<td><strong>S16</strong></td>
<td>Address unequal pay</td>
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<td><strong>S17</strong></td>
<td>Increase the Supported Living Payment and voluntary work for people with disabilities</td>
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<td><strong>S18</strong></td>
<td>Develop an employment plan for people with disabilities</td>
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### Māori and the Future of Work

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<tr>
<td>Provide more youth transition opportunities for Māori youth</td>
<td>Develop regional infrastructure partnerships with post-settlement iwi</td>
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### Pasifika and the Future of Work

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<tr>
<td>Develop a new vision for Pasifika in New Zealand</td>
<td>Provide cadetships and work experience opportunities for Pasifika youth</td>
<td>Reform education and adopt culturally inclusive learning methods</td>
<td>Provide greater financial support for education-related costs</td>
<td>Support Pasifika lifelong learning measures</td>
<td>Appoint Pasifika youth ambassadors</td>
<td>Provide start-up loans and grants for Pasifika</td>
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### Technology: Impacts and Opportunities

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<td>Aim for ICT to be the second largest contributor to GDP</td>
<td>Appoint a Chief Technology Officer to create a technology roadmap for the next 5–10 years</td>
<td>Ensure universal high-speed internet access</td>
<td>Create greater focus on digital upskilling and creativity</td>
<td>Invest in creators through digital apprenticeships, creative thinking clubs, and garage grants</td>
<td>Support local solutions to close the digital divide</td>
<td>Ensure sufficient capital at every stage of the innovation process</td>
<td>Support international connectedness for technological innovation</td>
<td>Make New Zealand a magnet for talent</td>
<td>Reform intellectual property protection and enhance NZTE support for innovators</td>
<td>Reform government procurement to support local intellectual property</td>
<td>Reform R&amp;D investment providing an R&amp;D tax credit, reform tax incentives to redirect investment from speculation, and a 10 year scale up in R&amp;D investment to match the OECD average</td>
<td>Streamline the funding and oversight of the science system</td>
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### Economic Development and Sustainability

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<tr>
<td>Promote business clusters</td>
<td>Foster research partnerships</td>
<td>Consolidate regulatory expertise</td>
<td>Develop a just transition plan for climate change led by an Independent Climate Commission</td>
<td>Support new business and funding models</td>
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</tbody>
</table>

These are recommendations of the Future of Work Commission. Those already accepted and announced are marked in red.
The Commission

Our Project
Over two years, the Future of Work Commission heard from New Zealanders throughout the country about the changing nature of work and how we address the change.

Our aim is to develop the vision, direction, and policies for an economic and social programme that will enable New Zealanders to confidently face the changing nature of work and have sustainable, fulfilling and well-paid employment in the coming decades.

Developing policies that tackle the changing nature of work will ensure:

• decent jobs
• lower unemployment
• higher wages
• greater security when in work or out of work
• highly skilled, adaptable, and resilient workers.

What we have done
The Future of Work Commission was announced by Labour Leader Andrew Little on 1 December 2014.

In early 2015 we established our Commission External Reference Group, which includes business people, union leaders, academics, and community representatives. With their help, we established six workstreams.

1. Income and Employment Security
2. Technology and its Impact
3. Education and Training
4. Economic Development and Sustainability
5. Māori
6. Pasifika

For each workstream, two lead MPs have coordinated the work. (See picture overleaf)

Areas of focus

Equality

Growth

Technology

Skills

Security
Our first step in the process was to survey people on their experiences with the changing nature of work. We received over three thousand responses that informed our work.

Following our initial feedback, the Commission released eight issues papers across our six workstreams to seek feedback from the public. These issues papers were supplemented by several background papers written by independent authors.

Following written submissions and meetings throughout New Zealand, the Commission released its Ten Big Ideas for further feedback.

The Ten Big Ideas document was released as part of a two-day conference on the Future of Work that the Commission hosted in Auckland. The conference featured four major international speakers: Robert Reich, Guy Standing, Jan Owen, and Göran Roos, and was followed by a Wellington seminar with keynote speaker, David Coats.

At last count, we have held well over 100 public events: engagements with businesses and workers, schools, and community groups on the work of the Commission. Thousands of New Zealanders have engaged with our work, and we are very grateful for that. Following all of this feedback, the Commission is now putting forward its final recommendations to the Labour Party for consideration as policy.

Labour has already announced some policies based on the work of the Commission.

- A Working Futures Plan to provide three years of free post-secondary school training and education
- A Young Entrepreneurs Programme to give 100 young New Zealanders the support to take their business ideas forward with a grant equivalent to the three years free, and the support of business mentors
- Professionalised careers advice integrated into learning: every school resourced to have highly trained careers-advice staff and every student will develop a personalised career plan.

Our External Reference Group

The External Reference Group supported the Commission through the process of its work, providing input and reviewing drafts of papers. The members of the Group are:

- Michael Barnett – Chief Executive of the Auckland Regional Chamber of Commerce & Industry
- Richard Wagstaff – NZCTU President
- John Blakey – Chief Executive of Competenz
- Dr Debbie Ryan – Director of Pacific Perspectives
- Gail Pacheco – Associate Professor in the Economics Department at AUT, and Director of the NZ Work Research Institute
- Sue Ryall – Centre Manager, Centre for Labour, Employment and Work (CLEW) in the School of Management, Victoria University of Wellington
- Matthew Tukaki – Founder and CEO of EntreHub
- Linc Gasking – Co-founder/CEO of 8i.

Richard Wagstaff replaced Helen Kelly when he took over as NZCTU president, and Gail Pacheco replaced Professor Tim Bentley when she took over as Director of the NZ Work Research Institute.
Our Lead MPs

Economic Development and Sustainability: 
David Clark & Jacinda Ardern

Technology: 
David Cunliffe & Clare Curran

Security of Work and Income: 
Iain Lees-Galloway & Carmel Sepuloni
Labour believes that through a quality, publicly funded education system we can provide all New Zealanders with the opportunity to discover and develop their full potential, follow their dreams, engage fully in society, and lead rewarding and fulfilling lives.

For New Zealanders to enjoy decent work and a high-wage economy with a high standard of living for all, we need to invest in developing our people. Achieving this ambition rests heavily on providing a world-class education system that serves the diverse needs and abilities of all learners.

The Future of Work Commission has heard from New Zealanders that access to high-quality training and education is critical to taking the opportunities and meeting the challenges of the world of work that lies ahead. We need to give the highest priority to an education and training system that is resilient, adaptable and inclusive.

We are currently confronted with growing economic and social obstacles that inhibit social mobility, constrain New Zealand’s full economic potential, and prevent New Zealanders from enjoying the high standard of living that we should rightly be able to expect. Breaking down barriers to participation in all levels of education and refining our already world-leading education system to tackle new challenges will help us to overcome these obstacles.

**Enhancing the current system**

**Empowering teachers and building capability**

Research here and internationally demonstrates that the quality of teaching is the biggest ‘in-school’ determinant of student achievement. Yet we have growing skill shortages within the teaching profession that will only get worse as the huge number of baby boomers reach retirement age.

In an environment where students are being prepared for “jobs that don’t exist yet” it is vital that all teachers are supported to update and improve their knowledge and teaching practice.

There is widespread dissatisfaction with the range and availability of professional development programmes for teachers, and new professional registration requirements discourage trained teachers who have been absent from the workforce for a period of time from returning.

Labour is committed to ensuring great candidates are recruited into teaching and that teachers throughout their professional careers are highly skilled and well trained, operate in a high-trust environment, and are able to foster the skills their students need to become lifelong learners.

**E1 – Commission proposal: Recruiting, training and supporting the best teachers**

We propose a comprehensive teacher recruitment, retention, and development strategy that will, among other things:

- set higher standards of entry for those wishing to undertake teacher training
- proactively identify looming skill shortages (e.g. STEM subject teachers) and put incentives in place to attract those with the right skills to the profession
- provide all teachers with the opportunity to keep developing and refining their skills throughout their careers
- support those returning to teaching after an absence, working in long-term relieving roles, or working as itinerant teachers to retain their registration and continue teaching.
Building teachers’ digital capability

The growing use of digital technology in education has been a constant theme in our discussion on the future of work. Digital literacy is vitally important in modern education and the modern workplace. To get the most out of its potential, we need to ensure that teachers and school leaders are provided with plenty of quality professional-development opportunities in this area.

E2 – Commission proposal: Professional development for teachers

We propose that all teachers are provided with on-going professional-development opportunities for their digital capability and technological skillsetts, so that they are empowered to create a culture of lifelong learning, teach, and use e-learning as part of their curriculum. Through better professional development, all teachers can be proficient in developing personalised learning; guiding independent and student-directed learning; and providing a range of learning experiences in the classroom and in the digital realm, using electronic and technological tools.

Coding in schools

There is a common view that our education system should be better geared towards ensuring all learners emerge from compulsory education with a more comprehensive ability to use online tools, resources, and digital technology. Coding in schools was a topical aspect of submissions with the common theme being that coding should be taught as a skill rather than as knowledge.

E3 – Commission proposal: Supporting technology in schools

We propose that all teachers have access to professional development so that they can learn the basics of computer coding. All students will have the opportunity to access key concepts of computer science, engage in computational thinking, be equipped with hands-on programming skills, and learn to problem-solve. This approach will assist all learners, no matter their chosen field, to become confident and competent lifelong learners. It will support learners to adapt to technological advances as they impact on the future of work, and to utilise technological tools and knowledge in creative ways, increasing New Zealand’s ability to operate at the cutting edge of technology and innovation.

The Government must ensure that all students starting, at decile 1 to decile 5 primary schools, have access to their own portable digital device. This will ensure that learners not only learn about coding and technical literacy, but also have the opportunity to use digital devices as part of a 21st century e-learning toolkit.

We need to give the highest priority to an education and training system that is resilient, adaptable and inclusive.
School-leavers toolkit

To enable young New Zealanders to participate confidently in society, we must equip them with all the skills they will need. Some practical life skills are not currently being taught as part of the curriculum, but these skills are often demanded of workers across many occupations.

The ‘cram and exam’ model of learning and summative assessment is not a reliable way of measuring the skills that are needed in society today but not catered to in the current education system. Skills such as creativity, collaboration, innovation and problem-solving should be considered at the same degree of importance as other skills being taught.

Employers commonly identify an ‘attitude gap’ as much as a skills gap in recruiting young people. An intense focus on ensuring learners meet artificial assessment targets has created a culture in which targets become more important than the students themselves.

Elements of a school-leavers toolkit include;

Key competencies

Throughout the Future of Work Commission employers have expressed the need for skilled workers who have a grasp on what has been called “soft skills” or “enterprise skills.” These can deal with the attitudinal gap that employers say they find with young and are essential alongside ‘hard skills’, and understanding lifelong learning. One summary of essential and desirable skills young people must have for entry to the workforce has been developed by COMET in their Employability Licence programme.14

<table>
<thead>
<tr>
<th>Five essential skills:</th>
<th>Five desirable competencies:</th>
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<tr>
<td>Attitude</td>
<td>Motivation</td>
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<td>Communication</td>
<td>Self-management</td>
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<td>Commitment</td>
<td>Resilience</td>
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<td>Team work</td>
<td>Decision-making</td>
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<td>Willingness to learn</td>
<td>Problem-solving</td>
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The key competencies in the New Zealand Curriculum recognise the value of these skills, but they are being overlooked in the rush to achieve government targets for National Standards and NCEA attainment. We need these skills to be fostered throughout the educational experience of students.

E4 - Commission proposal: A broad curriculum

We propose that the focus of learning is placed on a broad and varied curriculum that includes the key competencies.

Learners Employability Programme

In Auckland alone, 24,000 young people aged 15–24 years are currently not in employment, education or training. This is human talent going to waste.

Labour will draw on the strengths and expertise of industry, businesses, employers, and training providers to ensure people have the combined prerequisite skills and key competencies for them to participate confidently in the workforce.

The Learners Employability Programme will be based on the Two Way Street approach in the report It’s About Work from the Commission on Adult Vocational Teaching and Learning. This approach uses local mentors to encourage people with vocational expertise to go into colleges and training providers and to work with teachers to share their trade and profession.

Skills such as creativity, collaboration, innovation and problem-solving should be considered at the same degree of importance as other skills being taught.

E5 – Commission proposal: Investing in the Youth Employability Passport

We propose that the Government invest in COMET Auckland’s Youth Employability Passport, which is designed to create a greater link between education, business, and youth and has proven to be a promising model for enhancing young people’s employability skills.

Financial literacy

The Commission for Financial Capability has identified financial literacy as a ‘core life skill for participating in modern society and economic life’. The ability to understand the value of money, how it works in society, and how to use it effectively as a resource and source of income is an important part of everyday life.

E6 – Commission proposal: Teaching financial literacy

We propose that all school-leavers are equipped with a high level of financial literacy. Some excellent financial literacy programmes are available in schools, and all young New Zealanders must have access to them.
Driver’s licence

In Auckland, around 70% of entry-level jobs require a young person to have a driver’s license.18 Not having a licence means that significant numbers of young people are not getting job interviews and onto the job ladder.

Industries that rely on heavy-goods drivers are struggling with unfilled vacancies and ageing workforces, causing an industry leader to warn that the situation ‘will not improve unless the right people are identified for the profession and groomed through the education system’.19

Barriers to young people obtaining full licences include cost, lack of access to warranted vehicles at the right times, inability to attend driving tests, and social and cultural attitudes.

E7 – Commission proposal: Driver licensing

We propose that driver licensing is part of the core-skills toolkit for secondary school students. We will also ensure that programmes are in place to support people on low incomes, such as those who rely on benefits, to obtain a driver’s licence.

Transitions

Currently 70,000 New Zealanders under the age of 25 are not in any form of education, training or employment.20

Transforming careers advice

Labour announced a plan to transform careers advice, based on the work of the Commission. The plan aims to ensure that all learners have equal access to opportunities to develop a wide range of skills and attributes allowing them to participate confidently in society and the workforce.

Improving careers advice isn’t about narrowing the range of subjects that learners take to guide them into particular jobs. In fact, it is quite the opposite. Too many students reach the end of their schooling before they realise that they have already narrowed their options and haven’t acquired the skills they need to follow their ambitions.

We want young New Zealanders to make informed decisions about their studies so that they keep their options open.

20. See 15.
E8 – Labour Party policy: Transforming careers advice

Labour will:

• ensure every student has a personalised career development plan
• professionalise careers advice and integrate it into learning. Every secondary school will have highly trained, skilled careers advice teaching staff
• develop partnerships between schools, businesses, and training providers to provide young people with hands-on experience in schools, encouraging flexible approaches like the Gateway programme.

Every secondary school will have highly trained, skilled careers advisors, working in partnership with education, industry, and training providers to support students from day one, guiding them through their decision-making about their future options. Careers advice will be integrated into the curriculum as a core part of the mission of our state schools. Because curriculum and teaching expertise will be so integral to the whole process, careers advisors will continue to be fully registered teachers.

More young people will get hands-on experience of the roles and industries they want to be a part of. This will mean expanding programmes like Gateway. Every student from Year 9 onwards will have a personalised plan for their future career, which they can develop as they move through their schooling and ultimately into further work and training.

Employer Incentives Scheme (EIS)

We need more apprentices to meet the training demands of growing trades. Labour has developed the Dole for Apprenticeship policy that will pay employers the equivalent of the unemployment benefit that is paid to 18 and 19 year olds as a subsidy if they take that person on as an apprentice. We believe that there is scope for extending this scheme to a wider group.

E9 – Commission proposal: Employer Incentives Scheme

We propose, building on the Dole For Apprenticeship scheme, to investigate a wage incentive for employers who take on an apprentice, with a bonus payable once an apprentice has completed their qualification.

Learning that is connected and relevant

The Government should continue to invest in programmes such as Gateway and STAR.

Gateway provides senior secondary school students with the opportunity to spend a day a week in a workplace, where they gain skills that can contribute towards their NCEA.

STAR offers a similar opportunity for school students to undertake study and training with tertiary education providers. Both of these programmes were established and promoted under Labour and we will continue to support and expand them. Two things matter: young people seeing the purpose of their learning, and someone caring about their learning.

E10 – Commission proposal: Supporting Gateway and STAR

We propose that the Government continue to support and expand programmes such as Gateway and STAR.
Skill shortages

The number one concern of many employers we have spoken to during the Commission’s work is availability of skilled staff. As the nature of work changes and jobs and even whole industries evolve or disappear altogether we need a far more pro-active approach to lifting the skill level of our workforce.

To lift our economic performance and remain internationally competitive, we have to commit to minimising skill shortages across all sectors in New Zealand. We have emerging issues with skills gaps that are increasing across several industries. Skilled immigration is being used to compensate for our failure to train our own local workforce for the jobs that are available.

E11 – Commission proposal: Establishing a Labour Market Development Policy Unit

We propose establishing a Labour Market Development Policy Unit as part of the Ministry of Business, Innovation and Employment, who will work continuously with Industry Training Organisations to produce and monitor high-level projections across industry.

The policy unit’s work would be based on social indicators, economic conditions, sector peaks, and immigration. This will give Industry Training Organisations better insight into market demands, and steer the direction and delivery of education.

E12 – Commission proposal: New Zealand Skills Strategy for the 21st century

We propose that the Government work in partnership with sector stakeholders and some of New Zealand’s biggest companies to establish a tripartite New Zealand Skills Strategy that is fit for purpose in the 21st century. The strategy will take in workplace literacy and numeracy, skills matching, global labour supply as well as the level, quality and responsiveness of skills needed to improve workforce and economic productivity.

The Skills Leadership Group should be reinstated to capture data across all sectors about skills gaps, needs and projections; develop training; and oversee delivery to ensure that the needs of our economy are met. The New Zealand Skills Strategy will be a vehicle to achieve greater alignment of skills and employment in the 21st century.
Restoring skills leadership

Industry Training Organisations (ITOs) are important enablers in supporting the growth of skills, productivity, and employment in New Zealand. Under the guidance and leadership of the Industry Training Federation, ITOs have a well-coordinated approach but are underinvested.

E13 – Commission proposal: Skills leadership for ITOs

We propose to restore a skills leadership role to Industry Training Organisations as a sign of confidence in their work and delivery. Training will be guided by the New Zealand Skills Strategy.

Skill-shortage levies

E14 – Commission proposal: Skill-shortage levies

We propose that the Government consider imposing a training levy on industries in which skill shortages continue to exist. Firms that can demonstrate they are actively engaged in the training process would be exempt from such a levy.

Lifelong learning

Working Futures Plan

Based on the work of the Commission, Labour has signalled its commitment to lifelong learning by announcing its Working Futures Plan.

E15 – Labour Party policy: Working Futures Plan

Labour’s Working Futures Plan provides three years of free post-school education over a person’s lifetime. It can be used for any training, apprenticeship, or higher education approved by NZQA, and can be used for full-time or part-time study. The three years don’t have to be used all at once. For instance, a person could complete a one-year polytechnic course in their twenties, then a two-year design course if they want to retrain later in life.

The plan will be introduced in phases, with one year of education available from 2019, two years from 2022, and three years from 2025. It will not affect the existing living allowances and course-related costs.
Young Entrepreneurs Plan

Not everyone thrives in a formal education environment. Some of New Zealand’s most successful entrepreneurs learned everything on the job. In the future, many Kiwis will need to generate some of their own work and income, and running a small business may be part of many more people’s lives. To support these young people transitioning into work, Labour announced a Young Entrepreneurs Plan based on the work of the Commission.

E16 – Labour Party policy: Young Entrepreneurs Plan

The Young Entrepreneurs Plan will allow a small number of smart, innovative young New Zealanders to apply to cash-in their three free years of education, and instead receive a start-up business grant, training, and a business mentor.

Any New Zealander aged 18–23 can apply for up to $20,000 to start a new business, based on an innovative idea. They must have been through an accelerator business-training programme (which will be paid for under the policy), have a business mentor, and a business plan accepted by an independent panel of business experts.

This will be a one-off grant to help those with a great idea and the drive to make it happen get access to the finance that otherwise would be unavaiable to them. Safeguards include training and a mentor who will help them put their business plan into action.

The money will only be available for capital and operating costs, not living costs. It will not be available for franchise businesses. An independent panel of experts will select a maximum of 100 successful applicants per year, based on an idea being innovative, filling a niche in the market, and having the ability to be readily scaled up to generate wealth and employment.

We recognise the strength of collaboration in business, so groups of school-leavers will be able to apply jointly and pool their funds.

Hop-on, hop-off training

E17 – Commission proposal: Hop-on, hop-off training

We propose that the Government change funding systems to encourage the development of ‘hop on, hop-off’ training to equalise the focus that is placed on completing a qualification and gaining work experience.

In theory, a 48-week course would be broken up into four milestones, allowing students to study for 12 weeks, hop off and gain work experience for a period, then hop on for another 12 weeks before hopping off to work again. In delivering this training, ITOs would need to link apprentices with employers.
Gateways back into education

Returning to education and training can be a daunting prospect for more-mature people. Those who have spent many years in the workforce and find themselves needing to retrain can find re-entry into the education system difficult. Similarly, those who did not experience success in education the first time can be reluctant to make a second attempt.

E18 – Commission proposal: Gateways back into education

We propose that the Government fund programmes that provide a gateway back into education and training for working and non-working New Zealanders. This will include restoring the funding that was cut for Adult and Community Education (night classes in secondary schools). We will work with the education sector to develop a new model to deliver these programmes all around the country.

Māori and Pasifika trades training

Successfully recruiting, training, and retaining Māori and Pacific workforces is a major issue. We continue to see such groups overrepresented in NEET (not in education, employment or training) and unemployment figures. Policy must be informed by models that have been proven to work especially with vulnerable, disengaged, and hard-to-reach young people. See the Māori and Pasifika Chapters for more discussion of approaches to managing this issue.

E19 – Commission proposal: Māori and Pasifika trades training

We propose that the Government build on successful programmes, such as the Otorohanga model that provides mentoring and study support, and the work of those with a successful track record of supporting Māori and Pasifika students.

21. See 15.
Security of work

Over the last two decades, New Zealand has seen considerable change in the labour market, impacting both job and employment security. We’ve seen changing labour laws, increased international competition, technological shifts, and a focus on reducing labour costs. In line with global trends, non-standard employment has risen considerably in New Zealand. Many people in the workforce work on a short-term and sometimes medium-term basis on different projects rather than maintaining continuous employment with a single employer.

In the coming decades these trends are set to continue. It is essential that in this environment we uphold the core principles, laws and practices that uphold security and fairness at work.

Equipping New Zealand’s workforce with skills and training

To ensure the continued prosperity of New Zealand and its workforce, New Zealand needs a welfare system that promotes and supports upskilling and training. If people more regularly move in and out of work in the future, then periods of unemployment should be seen as opportunities for upskilling.

The Government needs to target training for people who lose their jobs. Particular emphasis should be placed on sectors with increasing demand for well-skilled and qualified workers in people’s areas of interest. The focus must be on long-term employment outcomes and income security for families. People must be able to live and thrive, not just survive.

With an increasingly dynamic labour market, communicating information about career choices and job opportunities is vital for people who are unemployed. As well as being in schools, careers advice for all professional levels needs to be a core component of the welfare system for people who are considered to be, or identify as, ‘employment-ready’.

S1 – Commission proposal: Providing training for a just transition

We propose that the Government guarantee every worker who loses their job as a result of technological change has adequate retraining and support.

In the initial phase this would mean that people unemployed who had been working in industries affected by technological change would be entitled to up to six weeks of free training per year. This would be in addition to their entitlement of three years of free post-school education or training over their lifetime. This would need to be underpinned by a social partnership between Government, unions, and employers to identify the industries in which retraining is needed, and design the courses to reskill workers to a new profession.

As in other countries with active labour-market policies like Denmark, courses would range from modules lasting a few days to full six-week courses to provide people with the skills they need to enter a new industry. Workers not in affected industries would be able to take the courses for a fee, ideally funded by employers and potentially incentivised by the government.

Employers in industries in which their employees are likely to be made redundant by technology would be required to have a skills development plan for each worker to prevent them from becoming unemployed. In time, the Government could consider expanding the scheme to the entire workforce.
S2 – Commission proposal: Training Incentive Package

We propose a Training Incentive Package that would provide the work-ready unemployed with careers advice, followed by work experience, and then a transition into work or further education and training.

Careers advice would become a core component of the welfare system for those who are work-ready. This advice will include information on areas of skill shortages, and identify key steps to progressing a career. The advice will factor-in regional skill shortages so that people transition into needed occupations.

The second step available will be work experience. This will allow people to experience their potential profession, and explore whether it is the right step for them, before committing to further training. Businesses will be able to access a similar subsidy to the Flexi-Wage scheme to reduce any financial impacts.

After successfully completing work experience, the option will be open to either look for employment or enter into further training or study. If this additional training or study is an area of skill shortage, either nationally or regionally, grants will be available to ease individual financial pressures, including covering part of course costs, travel costs, and additional childcare hours. This will also be available for students who are accessing the Student Allowance, and low-income students who are accessing other Studylink assistance.

Collective bargaining

Increasing union and collective agreement coverage is vital to improving work and income security. New Zealand has one of the lowest rates of union membership and collective employment agreement coverage in the OECD. Union membership and collective agreement coverage helps ensure productivity gains result in higher, more secure incomes and improve security of work.

Collective bargaining enables workers to overcome the inherently unequal relationship with their employer and to advocate for broader changes. Highly unionised workplaces tend to have better paid workers, be safer environments, and have less staff turnover than those with low rates of union participation.

Worker participation in decisions is beneficial to everyone and promotes greater work and income security. The loss of collective bargaining, since the Employment Contracts Act in 1991, has created more polarised and unequal employment relations. A global inequality study found that the single most influential factor on inequality trends is the change in the power and membership of labour unions.

New Zealand is one of only five OECD countries with collective bargaining coverage that is lower than union density. Other countries achieve this by extending collective bargaining results to non-union members through tools like industry-level collective bargaining and extension bargaining.

Non-traditional employment relationships like contracting and freelancing are likely to become more prevalent as people seek greater flexibility, but this can have downsides. Contractor status strips workers of many of their basic employment rights including being paid above the minimum wage, joining a union, and collective bargaining. If alternatives to traditional employment are an increasing feature of the future of work, we must ensure workers in those situations have the same rights as traditional employees.

References:

Security of Work and Income

The role of unions in the future of work

The role of unions is more important than ever in a changing world of work. While the values that drew people to unions have not changed, the nature of work has. We have an increasingly dynamic labour market in which people spend less time in the same job and work for smaller employers. Most unions were established to organise large stable workplaces, which will increasingly feature less in our labour market.

As NZCTU President Richard Wagstaff has stated, ‘The enduring values of unions: democracy, freedom, equality, justice, and working together – those things will never go out of fashion. It is just a matter of us engaging in the contemporary environment around those values.’

We need to change operating models to be able to effectively reach out to diverse workplaces and workers in non-traditional environments. Change in this area needs to be led by the unions themselves, but Government has a role in supporting them in this.

S3 – Commission proposal: New employment-relations framework and collective-agreement targets

We propose that a new employment-relations framework is developed, focused on enabling effective unionisation, and that Government sets a target of growing the number of workers covered by collective-employment agreements. This should include expanding the rights of contractors to ensure people who would otherwise be an employee still have the right to be paid the minimum wage, join a union, and participate in collective bargaining.

Engaging workers in business

Businesses that engage their workforce in decision-making and problem-solving have higher employee satisfaction and retention, greater productivity, are more innovative, and more profitable. The Commission heard about a variety of models for engaging workers from including workers in company governance to high-performance engagement to worker-owned cooperatives. All models had a positive impact on income and work security for employees.

The greatest barrier to implementing models of worker engagement was knowledge. Adopting the principles of high-performance engagement needs significant investment in educating employers, managers, workers, and union officials.

The Government needs to play a role in encouraging greater levels of worker engagement. It can do this in two ways. As an employer, the public service can model best practice in the way it engages its own employees. Government can also provide the resources and support that industry, unions, employers and workers need to become skilled in modern, evidence-based workplace engagement.

S4 – Commission proposal: Increased resourcing for workforce engagement

We propose that the Government establish a unit in MBIE, dedicated to providing resources and education to industry, unions, employers and workers who wish to implement models of workforce engagement.

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Case Study

In 2014 Air New Zealand, working with E tū and other unions, adopted a High Performance Engagement model for workplace organising. Employees and managers bring forward their issues together, and small teams of around 12 workers and managers work together to solve the problem. The company provides the resources needed for this work, whether it’s financial support or time. Developing solutions in this way means the organisation can reach a consensus quickly and deliver lasting results.

Implementing High Performance Engagement was not without cost. It required hard work on the part of those involved. It also meant a new mindset was needed for the unions to work collaboratively with management and identify shared interests, rather than taking positions.

Previously Air New Zealand had repeated problems with industrial disputes and was missing opportunities to improve its operation. Since implementing High Performance Engagement there have been benefits for both the company and workers: better working relationships and culture, improved pay and conditions for workers, fewer casual and more permanent jobs, and higher profits for the company from new cost-savings and efficiencies.

In the last year, Air New Zealand had a 40% jump in before-tax profits to a record $663 million, and agreed to pay a $2,500 incentive payment each to its workers.26

Supporting self-employment

Self-employment often comes with considerable insecurity. However, it also provides the opportunity to pursue personal interests, be innovative, and enjoy greater flexibility. In 2016, 293,000 New Zealanders were self-employed with no employees.29 Work and Income support for self-employed New Zealanders is incredibly underutilised. In 2014/15 only 406 Business Training and Advice grants were given out, and 243 contracts approved for the Flexi-Wage self-employment scheme.30

In 2014 the OECD found that people who were disadvantaged in the labour market, or already underrepresented in the self-employment population, were disproportionately deterred from self-employment due to financial restrictions.31 In New Zealand, this is particularly true for Māori, Pasifika, women, and people with disabilities.

An OECD assessment of entrepreneurship support for the unemployed in Slovenia showed successful initiatives there include specialised entrepreneurship training for unemployed people interested in self-employment; mentoring and coaching; and the use of online information portals and streamlining regulations to simplify the business environment.32

S5 – Commission proposal: Supporting self-employment

We propose that the Government encourage the uptake of self-employment through raising awareness of support programmes, increasing use of targeted outreach, developing entrepreneurial networks, and continuing to simplify and reduce business regulations.

29. See 15.
Security of Work and Income

Long-term outcomes

Despite benefit numbers having reduced over the last few years, there is a lack of information on the outcomes of people coming off benefits. Previous studies show many beneficiaries are not successfully transitioning to work and that the situation is worsening. Only 52.8% of those who came off the benefit in 2013 were still in work one month later. Of even greater concern, only 15.0% of those who came off the benefit were consistently employed for the following two years.

S6 – Commission proposal: Tracking benefit-exit outcomes

We propose that the Government conduct tracking research on the outcomes of people who come off benefits to measure whether they have successfully integrated into the workforce so that government support can be better tailored.

Balancing security and flexibility

Rapid changes in the economic environment, the impact of economic cycles, and the push for higher profits is forcing many businesses to adopt flexible work practices that provide workers with little stability and security in their hours of work and income. While flexibility can work for both employers and workers, exploitative practices are unacceptable. Since 2008, there has been a notable turn towards policies that favour flexibility for employers at the expense of security for workers, such as the 90-day fire-at-will laws.

This increased flexibility in the workforce is also visible in the widespread increase of insecure work. The NZCTU estimates that at least 30% of the New Zealand workforce is made up of insecure workers.

Working toward employment

Many people are currently forced to take only part-time work to be a part of the workforce. For some, the solution is to create more full-time jobs. For others, the solution can be difficult: some people have health conditions that prevent immediate entrance into full-time work, or childcare obligations that don’t allow it.

Many people in this situation are eligible for a partial benefit while they work, which is vital for financial survival. The Government needs to promote pathways into full employment for those people supported by social security who are capable of being employed full-time.

Current abatement levels for benefits are so low that benefit payments are reduced after just 5–6 hours work per week on the minimum wage for jobseekers, and 6–7 hours for others.

Such low abatement levels disincentivise part-time employment, which is problematic because part-time employment can be an effective pathway to full-time. Abatement also cause issues for those with fluctuating hours who can face gaps in support due to administrative problems.

33. Dr Bill Rosenberg. 2015. The “Investment Approach” is not an investment approach.
34. See 33.
Case study (Taken from Sudden, 2016)

Rebecca experienced being on a benefit and working, and had a substantial debt to pay back after she came off the benefit. She explains her situation.

For a number of years, I’d pick up the odd little contract here and there that might be for a term, but I never fully came off the benefit. It would be a week-by-week or fortnight-by-fortnight thing, where I would ring up [WINZ] and say how much I had earned, and it would vary every time.

I had a debt because it was so hard and confusing to keep track of what I’d earned. And, just the way the system worked, I wouldn’t know exactly how much I would be earning. They want you to estimate what you think you will earn per week. But that was impossible for me to do because of the nature of what I was doing.

And I think that kind of casual work is so common now, and I have this really strong feeling that the benefit wasn’t keeping up with the reality of how most people in lower incomes work, which is casually. They often don’t know from week to week how much they are going to earn next week. That was definitely my situation. It just felt like they were stuck in this old way of looking at how people work, considering that the job landscape has changed.

I’m living on quite a meagre amount still. I never seemed to ever quite get ahead, or to earn very much more than what I would be getting from WINZ anyway.36

S7 – Commission proposal: Enabling work for beneficiaries

We propose that the Government lift the abatement threshold for beneficiaries to $150 to enable more part-time and casual work to help beneficiaries transition from unemployment to full employment.

Multiple jobs

Since 2000, the percentage of the workforce employed in multiple jobs has steadily declined. However, in 2014, 70,000 New Zealanders were still balancing two or more jobs.37 This can be due to not having enough hours in one job, low pay and not being able to make ends meet with one source of income, or the need for security with fluctuating employment hours. Balancing two or more jobs can bring additional stress with time management, and often not enough financial gain. A key part of this can be due to the high rates of secondary tax.

Consistently higher numbers of women are in multiple jobs. While 2.7% of the male workforce was employed in two or more jobs, this jumps to 5.2% for women.38 Labour wants to support workers to receive higher wages so that they are not forced to work multiple jobs. In the meantime, it is only fair to make sure that those workers maintain as much of that income as possible so that they can make ends meet.

S8 – Commission proposal: Abolishing secondary tax

We propose that as part of Inland Revenue’s Business Transformation Programme that the Government abolish secondary tax.

37. Statistics NZ. Quarterly LEED tables (Table 4.1: Number of jobs held and earnings). The two or more total and share of employed calculated by the Parliamentary Library.
38. See 37.
Income security

There is nothing new about income insecurity. People with the least have traditionally also suffered the sharpest impacts of economic fluctuations through unemployment, under-employment and low wages. New Zealand was a leader in responding to this by protecting the income of workers as the first country to enforce a minimum wage back in 1894.

Since then, the breadth of the impact of income insecurity has widened, as legislative and economic demands for greater workplace flexibility has grown. The right for New Zealanders to get paid a decent wage has been superseded by the needs of capital.

Most New Zealanders rely on wages as their main source of income. For these families on lower incomes, their rate of saving is now negative, showing current wage levels are taking away the ability of families to have a financial safety net.

The number of working poor is increasing. Two out of five children living in poverty in New Zealand have at least one parent working full-time or in self-employment. On top of this, 52% of homeless people in New Zealand are in study or employment.

In a rapidly changing world of work with more insecurity and more people in precarious work, even more challenges to income security need to be addressed. As Professor Guy Standing told our Future of Work Conference, ‘The assets that matter for people in the precariat are fivefold. The first is security. The distribution of security in our societies is much more unequal than the distribution of income. If you’re up here, you can buy and you have total security. if you’re down there, you have no security at all. We need a strategy to give people basic security.’

Moving in and out of employment

In a world where people are likely to move in and out of work more often and there may be a shortage of full-time jobs, we need to reassess the interface between working and welfare. The difficulties currently faced by New Zealanders attempting to access their financial entitlements from Work and Income are causing significant hardship. People are facing substantial delays for face-to-face appointments that are a requirement to obtain a benefit.

As well as the time and administrative difficulties, a stand-down period of 1–2 weeks usually applies after employment has ceased. People are not considered to have finished work until they have used up all of their leave or pay given instead of notice. This takes away any financial safety net and savings for a family, putting them in great hardship before state assistance is available.

S9 – Commission proposal: Smoothing benefit transitions

We propose that the Government smooth benefit transition processes so that people shifting in and out of work often are not penalised through the benefit system.

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40. See 10.
Universal Basic Income

The increased insecurity in the workforce also prompts a discussion about the way the state provides access to the income required not just to survive, but to live. This could include investigating new approaches to ensure every citizen has a reliable income that provides a reasonable standard of living, no matter their circumstances, and is delivered equitably and efficiently.

An example frequently proposed to the Commission is a Universal Basic Income (UBI). This is a guaranteed basic payment made to all adult citizens, no matter their employment status. It would eliminate the need for many of the criteria-based benefits currently available. The idea found strong public support and could result in significant administrative savings for the Government.

While largely untested, trials have been undertaken in the past in Canada and India, and are currently being developed in Finland and the Netherlands.

As Professor Robert Reich said to our Future of Work Conference, while the time for a UBI has not yet come, we are heading towards a point where technological disruption will mean we can no longer provide stable incomes from work. ‘Eventually we will talk about it because it is the only way of dealing with where technology is taking us.’

There is still significant work to do to assess how a UBI would actually work, how to pay for it, the interaction with the tax system, and how to ensure equity and fairness in such a system. These issues are all worthy of further investigation. For now, we are focused on improving income support for children and families, making changes to address stand-down periods, and reducing the administrative burden of going on and off benefits.

S10 – Commission proposal: Future income-support models

We propose that the Government continue to investigate alternative income-support models noting the need to assess trials of a Universal Basic Income.

Acknowledging the importance of unpaid work

As the nature of work changes, it is time to reconsider what work is. We received many submissions that highlighted the role played by informal and unpaid workers. In the future, these occupations will increase in importance, and we need to be recognise their place in our society and economy.

Economic participation through paid work is favoured over other forms of participation such as parenting, caregiving, and voluntary work. Yet, alongside the shift away from permanent employment, there has also been a shift to greater numbers undertaking unpaid work and internships. People need to be recognised for the work they do for their community and those in unpaid work need to be safeguarded from exploitation.

Informal work is not only necessary to our economy and society, it is an opportunity for people to gain the skills and experience they need to participate in the paid workforce. We must value volunteers by making sure that voluntary work creates opportunities and is not simply a source of free labour.

In 2013, volunteer labour contributed $3.5 billion to GDP, and NGOs contributed $6 billion, bringing the total to $9.4 billion, or 4.4% of New Zealand’s GDP. While the number of volunteers increased between 2004 and 2013 from one million to 1.2 million, volunteers were contributing fewer hours. This aligns with the time constraints faced by New Zealanders, including working longer hours, juggling multiple jobs, and working with young children.

Security of Work and Income

S11 – Commission proposal: Recognising volunteering as work

We propose that the Government acknowledge volunteer work alongside paid employment. Beneficiaries would be able to fulfil their working obligations if they chose to do volunteer work. People currently expected to be searching for paid employment could instead do volunteer work for the same number of hours they are obligated to be in paid employment. This would require a letter of support, and six-monthly updates from the organisation to ensure they are making a positive contribution.

Backing carers and parents

Parents and unpaid carers are another group that are increasingly undervalued in New Zealand. Labour wants to support those who want or need to stay home and care for their children or family members. This starts with income support, and structuring the benefit system in a way that supports people whose work is to take care of family members.

It is important we recognise and value both formal and informal work to address the future demands and challenges faced by the country, our communities, families and individuals. If unpaid care was made a paid part of the economy, it would add at least $7.3 billion or 3.4% to GDP and could add as much as $23.3 billion or 10.8%.45

Current policies create pressure for parents to focus primarily on paid employment from when their children are very young. Parents who want or need to stay at home should feel supported to do so.

Sole parents have work obligations of at least 20 hours from when their youngest dependent child is three years old, or just one year old if they had an additional child while on the benefit. This undervalues the vital role of parenting in society and prevents the same parental bonding to be given to the younger child that was available to the older child.

S12 – Commission proposal: Reviewing work obligations for sole parents

We propose a review of work obligations for beneficiaries with children.

Impacts of insecurity

Greater insecurity of employment and income can have dramatic health impacts on people and their families. The inability to find secure work is strongly linked to depression and mental health issues which can lead to a cycle of insecurity. Unemployed beneficiaries face greater stress, often linked to job-hunting and financial hardship, over long periods of time. This affects their confidence and independence, and can spiral to affect their likelihood of gaining employment.

Insecurity combined with a lack of support and hardened neoliberal policies has left New Zealand with unprecedented inequality and child poverty. The divide between the wealthy and everyone else has grown faster in New Zealand than any other OECD country between the mid-1980s and the mid-2000s, despite sustained economic growth during this time.46

A third of New Zealand children, or 295,000 children, live in poverty.47 It is a sign of failure that twice as many children than in 1984 now live in poverty.48 The state of the labour market means not only is more support needed for those in work, but more support is also needed for those out of work.

47. See 10.
48. The Guardian. 16 Aug 2016. New Zealand’s most shameful secret: ‘We have normalised child poverty’.
Positive welfare

New Zealand's welfare system needs significant improvement. The biggest factor that influences benefit numbers is economic fluctuations. Increased rates of job turnover means people may rely on state financial support on a more frequent though short-term basis. One of the biggest problems is the culture at Work and Income offices. Evidence from current and former beneficiaries highlights the negativity, stigma and shame from being on the benefit, much of which is due to interactions at Work and Income. This is not helpful for the wellbeing of individuals on the benefit, or for their motivation or confidence to find employment or to pursue study.

Former Prime Minister and Labour Party leader, the Honourable Michael Joseph Savage who instituted the first welfare state, said the state has a responsibility to support those who were negatively affected by 'age, illness, unemployment, widowhood, or other misfortunes'.

This responsibility needs to be restored, and real support provided to these people. Work and Income needs to become part of an active labour-market strategy, playing a more proactive role in linking people to work and training opportunities.

S13 – Commission proposal: Cultural change at Work and Income

We propose a cultural change at Work and Income. The organisation would be refocused through more effective policies, regulations, and staff training. The function of Work and Income offices will move beyond processing payments and filling-out forms to providing spaces where New Zealanders can receive real support as part of an overall active labour-market strategy. Case managers would offer one-on-one support to their clients and inform them about all of the support they are eligible for.

The ageing workforce and population

Compared with other countries, New Zealand has high rates of mature employment. This is in part due to the ageing population, as well as people staying in the workforce for longer. Over 570,000 people over the age of 55 are currently employed, which is 23% of the workforce.49

Employers value mature workers for their reliability, professionalism, and good listening skills. However, there are significant barriers as well, including a perceived lack of transferable skills, inflexible salary and hours, and unacknowledged age-based discrimination.

New Zealand's ageing population is both a challenge and an opportunity. Those over the age of 65 are expected to grow from 14.3% of the current population of New Zealand to 23.8% by 2043.50 This age group creates certain pressures on state services and funding, particularly on New Zealand Superannuation. However, this group also contributes significantly to society. A 2013 report from MSD puts the value of unpaid work by people 65 years of age and older at $6.58 billion in 2011.51

Such a large percentage of the workforce in New Zealand being aged over 55 years old is an underutilised asset. These workers have often been in the workforce and gained valuable knowledge and experience over that time.

The Australian Department of Employment set up the Corporate Champions Programme, which recognises employers who commit to better employment practices for mature workers. Eligible employers receive support from an industry expert valued up to $20,000. This was a pilot programme for one year, but has now been extended to four years. FMP Group, after successfully engaging with this programme, said it created a culture of knowledge and skill-sharing through mentorships between older and younger workers.52

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49. See 15.
Fahrión, an engineering company in Germany, institutes dual project management with an older and a younger employee working together to transfer knowledge and to relieve the older worker of responsibilities before retirement. The Bethany Care Society in Canada offers employees more flexible work arrangements and staff training by older employees. These workplaces foster intergenerational cooperation and knowledge exchange, while ensuring older employees are valued.

**S14 – Commission proposal: Engaging the mature workforce**

We propose that the Government advocate for better work practices for mature workers and help engage the mature workforce through mentoring programmes.

**Women and work**

While New Zealand has a positive history of women’s rights, this progress has slowed in some areas. More women in New Zealand are participating in the workforce compared with the OECD average: 69% of women are in paid employment, compared with an OECD average of 59%. Women’s participation in New Zealand is still over 10% lower than men’s, which is at 80%.53

Despite an increase in participation and educational achievement for women, New Zealand has a significant gender-pay gap. There are two parts to the gender-pay gap: same pay for the same job, and equal pay for jobs that are equal in skill, responsibility and stress. For every dollar a man earns a woman earns 86c which amounts to thousands less per year.54

This persistent pay gap contributes to the burden of inequality and poverty that disproportionately falls to women internationally, and to women in New Zealand as well. Over half of beneficiaries (57.4%) are women.55

In 2013 of the 201,804 sole-parent families in New Zealand, 84.2% were headed by women.56

Sole parents are more likely to be living in poverty and hardship. While 18% of the population is considered to be living in poverty for sole-parent families it is 56%.57 Sole-parent families are six times more likely to be homeless than couples.58

**Women in business**

Labour is committed to ending this gender gap and encouraging positive participation for women in New Zealand. Our policies that encourage the uptake of self-employment will include a specific policy to encourage women into self-employment. For many women, particularly parents, this option can allow flexibility of hours and employment more suitable for their needs.

Only 10% of working women in New Zealand are currently self-employed, compared to 14% of men.59

However, between 1981 and 1991, the number of self-employed women rose by 80%, compared to an increase of just 7% of women in the workforce.60

**S15 – Commission proposal: Encouraging more women into self-employment**

We propose that the Government encourage and support more women to become self-employed.

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57. See 56.
58. See 41.
59. See 15.
Fostering equitable work places

In 2009, the Pay and Employment Equity Unit was scrapped from the former Labour Department. Since then, progress in reducing gender-pay disparities has almost ceased. When Labour implemented the Pay and Employment Equity Unit in 2004, it came with a five-year action plan and an extensive review process. The goal was to ensure that wages were free of gender bias and that barriers to employment equity for women were removed.

The undervaluing of female dominated occupations is one of the largest remaining barriers remaining to equal pay. Recent legal challenges have shown more work is needed by the Government to identify and eliminate this form of discrimination. Individual discrimination must also still be tackled. Greater pay transparency along with positive duties on employers are measures to look at to address individual discrimination.

Paid parental leave is also important to reduce gender disparities in the workplace as well as to encourage parental bonding and a positive work-life balance. Iceland, Norway, and Sweden have all implemented paid parental leave far more generously than New Zealand: there paid parental leave is applicable to both parents.

These three countries are all ranked higher than New Zealand in the World Economic Forum’s Global Gender Gap ranking.61

In Sweden, parents are entitled to share 480 days, or around 16 months, of paid parental leave when a child is born or adopted. They have the largest proportion of working mothers in the European Union, and have an employment rate for women of 73.1%.62 Their generous and flexible paid parental leave scheme encourages both men and women to remain in the labour market after having children, while also allowing essential time away for parental bonding and caregiving.

This isn’t an issue that’s going to take care of itself. It’s something that needs to be addressed by government, as well as in board rooms, by senior managers, and through human resource practices and policies. It’s time to right this wrong.

Erin Polaczuk, PSA National Secretary

Dominion Post. 11 May 2015. 'Pay gaps mean a lot is missing from women’s lives'.

S16 – Commission proposal: Addressing unequal pay

We propose that the Government reinstate the Pay and Employment Equity Unit in the Ministry of Business, Innovation and Employment and implement a new plan that works towards pay equity and implements the recommendations of the Joint Working Group on Pay Equity Principles. We further propose that the Government increase paid parental leave to 26 weeks and ensure that it is gender-neutral.

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Disability and workforce participation

Around 24% of New Zealanders or 1.1 million people have a disability or long-term health condition. Many of these people can and want to work, yet in New Zealand only 61% of disabled adults are employed. This is a large group whose potential is not being utilised.63

The unemployment rate for disabled adults is double that of other adults. 74% of those who weren’t employed said they would like to work if a job was available. Yet, the unemployment rate for people with disabilities has not changed in over twelve years.64

Despite disabled people overall having less labour market participation, over one-third of disabled adults work in either managerial or professional jobs. Contrary to many assumptions, most disabled workers do not need special modifications or equipment in their workplaces. According to a Statistics NZ report, only 17% of disabled workers said they needed workplace modifications.65

There is a strong drive in the disability community for positive labour-market participation; however, changes must be made to the limitations on disabled people seeking employment. The Disabled Persons Assembly NZ Inc has highlighted that barriers to employment include limited access to buildings, a lack of information on funding and disabilities, as well as employer and public attitudes towards the disabled community.66

Ensuring continued prosperity

A key element to better supporting the disability community is ensuring that those who are unable to work feel supported and a part of society. These individuals should be able to participate socially and economically in the wider community, whether they are able to participate in paid work or not.

Those who may struggle to take up paid work either indefinitely or immediately, but are able to do some work, will be encouraged to take up voluntary work or be a part of the work-experience programme. This provides exciting opportunities for personal and professional fulfilment and may provide a pathway to employment.

S17 - Commission proposal: Higher Supported Living Payment and voluntary work

We propose that the Government ensure that the Supported Living Payment for those permanently and severely restricted in their ability to work because of a health condition, injury, or impairment is paid at a higher rate relative to short-term benefits, and that the Disability Allowance is able to meet all additional costs. We further propose that people with disabilities are enabled to take up voluntary work.

64. See 63.
65. See 63.
Removing barriers to employment

Considerable barriers are imposed on disabled people as they navigate the labour market. This is primarily linked to employer attitudes. There appears to be an unwillingness to employ disabled people and an active exclusion, often based on misinformation or ignorance.

Encouraging employment of disabled adults who are willing and able to work has considerable benefits both at an individual and organisational level. Employers gain valuable employees, have a more diverse knowledge and experience base, experience reduced employee turnover of disabled staff, and improve their reputation.

S18 – Commission proposal: Developing an employment plan for people with disabilities

We propose that the Government work with key disability groups to develop a plan that works towards equipping this community with employment-ready tools, and provides employers and wider society with greater confidence and knowledge of disability. Primarily an educational project, it will give both employers and employees much needed information and skills.
Māori and the Future of Work

We are now entering a post-treaty settlement era. Many of the historic grievances between the Crown and Māori have been resolved, but inequalities between Māori and Pakeha still exist and we need a new way of working between the Crown and Māori.

Māori have high rates of youth not in education, employment or training. The increased pace of change in employment creates the risk of these rates growing. This problem is also an opportunity to develop our workforce and address the demand for labour caused by our ageing population.

The Māori economy is estimated to be worth $43 billion. Access to treaty settlements has given Māori significant capital and land assets that could be harnessed to deliver greater prosperity for Māori and for New Zealand as a whole. The Government needs to create more opportunities for iwi to make use of these assets to create decent jobs and incomes in New Zealand.

Successful transitions for today’s future leaders

New Zealand has one of the worst rates of student retention of any developed country. In June 2016, of the 131,900 Māori aged 15-24 years, 26,000 were not in education, employment or training (NEET). Māori women had higher NEET rates than Māori men. Overall, Māori have higher NEET rates than other ethnic groups and continue to have an unemployment rate higher than the national average. With increased rates of change in the labour market there is potential for the numbers out of employment to increase.

High NEET rates have resulted in a detachment from the labour market and difficult transitions to decent work. Years 7 to 10 (12 to 15 year olds) are even more vulnerable because adolescents become more aware of their place in the world compared with the norm.

Reasons for these rates include young people being raised in poor housing conditions and broken families, and an education platform that is not fully tailored to meet the learning needs of most Māori students as well as other ethnic groups like Pasifika. Children also need role models that can inspire them to the pathway best for them and entrenched inter-generational inequality can mean young Māori do not have access to this. Young people are also often expected to be caregivers to the younger children, instead of attending school. Employers can be reluctant to take on youth because the worst cases tend to spoil opportunities for all and, in turn, business confidence in youth employment declines.

In many disadvantaged communities, youth are experiencing second-generation unemployment resulting in long-term trauma. Young people can believe their futures are compromised and disengage because they know no different. Those who experience prolonged disengagement have a heightened risk of poor outcomes. The estimated annual cost of youth unemployment in New Zealand is $900 million.

According to the lens of former Principal Youth Court Judge Andrew Beacroft, the answer to youth crime and frustration is employment. “When a young person has a job, they have three things: routine, self-esteem, and income.”

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69. See 15.
70. Sustainable Business Council New Zealand. 2013. All In: A New Zealand Inc. approach to solve youth unemployment.
71. See 70.
72. See 70.
73. See 70.
Youth unemployment becomes critical as New Zealand’s population ages. By 2028, the number of people in New Zealand aged over 65 years will have outnumbered those aged under 14 years. We will face skilled-labour shortages, increased labour costs, and the risk of lack of capital or succession plans for businesses. Over time, fewer young people will be in the labour market to support an increasingly dependent older population. Ensuring youth have the work experience and skills to fill these roles is a substantial opportunity for New Zealand.

In a rapidly changing world of work, youth need opportunities to develop skills that will serve them well in their working lives and into the future. These skills will enable them to contribute to their whānau, hapu and iwi, community, and the New Zealand economy.

**Solution**

Uncertainty about the future of work puts greater focus on guiding youth into well-chosen careers as an integral part of the New Zealand education system. To deliver on this, we need a range of interventions to help Māori youth. Career development plans and professional career advice will be crucial. (See the Education and Training chapter.)

Change will need strong buy-in and a willingness between schools, businesses, training providers, and funders to develop meaningful partnerships to provide young people with hands-on work experience in an adult environment. ‘Earn while you learn’ opportunities such as on-the-job training, job shadowing, internships, apprenticeships and study are all beneficial for both parties. Providers will need to provide adequate time for work placement (for example, one day a week for two school terms) to allow students to be exposed to hands-on learning and to appreciate the workplace culture and environment.

Mentors should be selected for students on the basis that they demonstrate empathy, structure, good communication skills, and a willingness to engage and apply discipline appropriately.

Youth work readiness should incorporate ‘soft’ skills induction. Soft skills include a positive attitude, a willingness to learn, communication skills, teamwork ability, problem-solving, creative thinking, punctuality, reliability, motivation, respect, personal presentation, time management, and work ethic.

The basic elements of the School Leaver’s Toolkit (covered in the Education and Training chapter) would also be covered and includes first aid, hazard ID, restricted driver’s licence, drug and alcohol workshop, interview skills, and CV and cover letter preparation.

The Government needs to monitor local, regional, and national GDP growth to align learning with future skill requirements, and match skills with business needs. Localised education and skills training directly related to job openings is also beneficial.

Ideally students would enter work placements with a minimum of NCEA Level 2 numeracy and literacy (achieved or merit) and be computer literate with strong communication skills. They should be supported through attending values-based workshops, options evenings, and orientation days with education and training providers and businesses to broaden their potential options.

**M1 – Commission proposal: Successful Youth Transitions**

We propose the Government implement a comprehensive set of new measures for youth transitions, including ‘earn while you learn’ opportunities, mentoring, and soft-skills development, to assist Māori youth who are not in employment, education, or training.

Collaboration between business, youth, education and training providers, and government agencies minimises the risk to business and avoids duplicating effort. A collective impact approach to addressing societal issues gives all participants a common understanding of the problem, a shared vision, and agreed actions to deliver.

By improving outcomes on a national scale, businesses and communities have the potential to improve the local economy, the level of talent available to employers, and the educational and work opportunities for NEETs. Improved outcomes will create successful career pathways and interrupt a multi-generational cycle of poverty for youth and their families. Jackson (2011) strongly expressed that ‘youth will be more sought after, harder to find, and more expensive to secure, from now on’. This was reinforced by Williams (2016) who said, ‘Young people will futureproof your business, the industry, and our communities. It’s time to expedite change for the betterment of youth today and the generations to come.’

Māori infrastructure development

There is a huge opportunity to expand New Zealand’s economy and provide more opportunities for Māori. As a result of Treaty settlements, iwi hold extensive but still under-utilised land and cash assets. The Māori economy is worth an estimated $43 billion, and major iwi corporations are managing successful businesses.75

We are reaching a point where the majority of historic treaty claims have now been settled. However the Crown’s responsibility to Māori does not end when the paperwork is signed. Māori have a right to continued development of their assets and it is in the Government’s interests to support that. The relationship between Māori and the Crown needs to be an active partnership. There is an opportunity in the post-treaty settlement era to create new partnerships between the Crown and iwi which can grow the Māori economy creating more jobs and higher wages for Māori families as well as benefitting New Zealand’s economy as a whole.

The Māori economy is concentrated in the primary sectors of farming, fishing and forestry. There is around a million hectares of Māori land which has been identified as either unproductive or under-utilised.76 Harnessing the existing skills and resources to further diversify the Māori economy is challenging. The onus is on the Government to ensure that it recognises the impact on the Māori economy when making economic policy and climate change policy.

Some iwi have already begun the process of diversification. Ngāi Tahu Property now has a value of more than $600 million. In Christchurch Ngāi Tahu is responsible for three of its largest post-quake developments: Wigram Skies in south-west Christchurch, Prestons in north-east Christchurch and Te Whāriki in Lincoln.77

Similarly Ngāti Whātua o Kaipara is making steps in housing development in Auckland. Following legal action to have their treaty rights recognised in April 2016 the iwi signed a Memorandum of Understanding with the Crown which will enable them to take part in major developments in the north-west of Auckland.78

The barriers to greater use of Māori assets differ depending on grouping. Some iwi who achieved their treaty settlements some time ago have already developed substantial commercial experience. Their barrier is obtaining further capital to allow them to expand. Some iwi who have recently settled their Treaty claims lack the experience and networks to fully utilise their assets. An issue continues with making sure that timely decisions can be made for collective assets. Providing a focus point to bring people around the table can help to resolve these issues.

Government procurement could also help further Māori economic development. Strategic procurement decisions for government services that took into account the employment and training outcomes would give Māori organisations who can create decent jobs and opportunities in New Zealand a chance to demonstrate their value. The Southern Initiative in Auckland is a good example of where this approach can be successful.

With most of the historic Treaty settlements resolved, the current Office of Treaty Settlements is likely to be scaled down. There is an opportunity to utilise these staff who are experienced in dealing with the Crown and Māori, and are knowledgeable about the economic situation of Māori. The Office could be transformed into a supportive function to enable these partnerships in the post-Treaty settlement era. As part of this the option of splitting the Office from the oversight of the Ministry of Justice needs to be looked at.

**M2 – Commission proposal: Regional Partnership Funding**

We propose the Government make available regional partnership funding to support infrastructure development. Enhanced funding should be used with a greater focus on working with Māori as a basis to bridge partnership arrangements between the Crown, iwi, and the private sector to grow New Zealand’s asset base. A refocused Office of Treaty Settlements would help to foster these partnerships.
Pasifika People and the Future of Work

The feedback we received on the Pasifika Future of Work paper and from Pasifika communities throughout our work made clear the desire to move beyond a deficit focus to one that recognises and supports the potential of the Pasifika community.

The main reason for this is that the Pasifika community knows too well the state of social and economic disparities experienced by many Pasifika families.

Negative statistics constantly reproduced by policymakers serve to promote a stereotype that encourages a defeatist attitude. While socio-economic statistics paint a picture of some experiences and challenges of Pasifika life in New Zealand, they don’t capture the stories of Pasifika successes and aspirational achievements.

Statistics don’t reveal the stories of sacrifices made by many parents who work long hours on factory floors so that their children can graduate with double degrees. Nor do statistics reveal the achievements of youths who are active in village or cultural groups to maintain their bilingualism and Pasifika cultural intelligence. Statistics don’t reveal the young and old who give their time and resources to serve as church missionaries locally and overseas. They don’t reveal the distinct difference of Pasifika businesspeople who pursue a profit not just to make a living, but to contribute to the social services of their church or village community.

We received feedback that some in the Pasifika community felt this wasn’t the first time that a discussion of this nature has taken place. They felt that each time it had been discussed, very little, if anything, had changed. While Pasifika people have become an integral thread in the fabric of New Zealand society, barriers still exist that prevent them from realising their full potential as New Zealanders.

A new Pasifika vision

A new Pasifika vision is needed. The Samoan words *tofa* (wisdom) and *mamao* (further away) when combined means the wisdom to envision or to visualise the future. This captures the growing desire to undertake *le tofa saili* or the wisdom to search for a new meaning of what lies ahead for Pasifika in New Zealand’s modern society.

The make-up of the Pasifika population in New Zealand is changing, the number of Pasifika pioneers is declining, and the population of New Zealand-born Pasifika people is growing.

The old vision was held individually by each person or each family that migrated to New Zealand from the early 1940s. The first scholarships recipients had a scenario that they came to New Zealand to get their education, graduate, and return to serve their country in the islands. As more families began the migration in the 1960s, the scenario was to work and send money to help out their families back in the islands and to give their children an opportunity to get a better education.

Many also brought other relatives to settle in New Zealand. That was the collective vision for most Pacific families: come to New Zealand, work and help the families, village, and church back in the islands, give the children educational opportunities, and bring other relatives to New Zealand. For many, the dream was to achieve all this and then to return to the islands.

That is no longer the case for Pasifika people in New Zealand. Most are born in New Zealand – this is their home, the only home they know. Intermarriage has become normal. Many more Pacific children are born here. Many are buried here. New Zealand is firmly their place now. There is a desire to create a new vision using this information as the foundation to start discussions.

Pasifika people need to develop a vision that explores what it means to be Pasifika in New Zealand today: our future role; our values, beliefs, culture, language, and religion; what successful Pasifika New Zealand looks like; and what our aspirations are for ourselves and for New Zealand.
Tofa saili is the wisdom to search and find our tofa mamoo, the wisdom to envision the future for an inclusive society that will not tolerate the dramatic inequity experienced by those who are the most vulnerable.

The current focus on education targets and trades training is misleading. It gives people second-rate Level 2 pre-trade qualifications rather than apprenticeships, and sentences Pasifika students to low-wage, low-skilled jobs.

We envision a society where race is not an indicator of outcome – a society that celebrates individual success and achieves collective outcomes. We envision a society in which the government is committed to protecting those who are the most vulnerable, and acts to correct market failure through services and capital. We envision a society in which public services are fair, transparent, and high quality for everyone, and intervenes to achieve equity as a central requirement.

This vision should govern a Pacific research strategy. Having relevant and current data, research, and evaluation to inform government policy and its impact on Pasifika people will ensure that resources are used efficiently. It also ensures that public-service delivery achieves the outcomes needed to reduce inequality.

The vision needs to guide the specific programmes and initiatives that will give the Pasifika community the tools to be resilient in the face of the changing nature of work, and the capacity to take up the opportunities that arise.

P1 – Commission proposal: Developing a new Pasifika vision

We propose that Pasifika people develop a new vision for Pasifika in Aotearoa/New Zealand, with government support and coordination to provide the framework and long-term goals to guide how government will work with the Pasifika community.

Training, educating and upskilling the Pacific workforce

New Zealand has an ageing population. The Pasifika population, however, is young and combined with Māori, New Zealand will increasingly depend on this group as the future workforce. Investing early in the education and training of this group is an investment in the socio-economic future of New Zealand.

Our priority should be to prepare them for a high-value, highly skilled, high-earning workforce. We will need this workforce to be prepared for the future of work for their own sustainability and to support the aging population in future years.

Investing in our Pasifika youth

We cannot keep doing the same thing over and over again, and expect different results for Pasifika. The growing number of Pasifika (and Māori) young unemployed and those not engaged in employment or training should be a major concern for Government policymakers. History shows malcontent of the underclass will eventually manifest and express itself in destructive ways.
The current New Zealand education system is touted as world class, but continues to fail certain ethnic groups, particularly Māori and Pasifika. Figures published by the Ministry of Education highlight that after 25 years of Tomorrow’s Schools, in 2015 Māori (71%) and Pasifika (77.6%) learners aged 18 years at Level 2 of the curriculum were still well below the 85% goal that government has set, compared to the national equivalent of 83%. Our young Pasifika people are not failures and they need to have their strengths recognised.

Investing in Pasifika youth must include working with Auckland Council’s Southern Initiative project, Local Government New Zealand, and businesses prepared to recognise the vision for a highly skilled workforce by giving young people the opportunity for cadetship or on-job experience and training.

**P2 – Commission proposal: Providing cadetships and work experience**

We propose that the Government partner with Auckland Council’s Southern Initiative project, Local Government New Zealand, and businesses to provide young people with the opportunity for cadetships or on-job experience and training.

**A modern education system is needed to help Pasifika reach their full potential**

Education is still the key for the success of Pasifika, yet our past experiences strongly suggest that we cannot keep doing what we’ve been doing, if we want a different result. What policymakers knew in the late 1980s and 1990s did not take into account the role that technology would have in challenging the shape and delivery of our education, learning, and attitudes for future generations.

We received strong feedback that a complete overhaul and re-design of the public education system is due to remove institutionalised and outdated educational methods. It needs to be a design to deliver to a knowledge-driven, highly mobile, high-wage economy. The learner is still at the centre of this new system. Pacific learners come with a diverse range of experiences, languages and cultural knowledge that should form the basis of their learning. The role of the teacher is to facilitate and guide learning experiences, and motivate and engage the learners based on a learner’s strengths that technology will enhance.

We need to integrate culturally inclusive learning methods that recognise diverse student strengths, and define new Pasifika models, including bilingual learning in Pasifika languages. Learning methods such as wānanga, ako or other indigenous methods could be embedded into the new education and training system. The integration would require a rethink of why and how we assess, because the current focus is on competence and ability and uses industrialised models of testing short-term knowledge capture (the dreaded 3-hour examination).

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P3 – Commission proposal: Reforming education and adopting culturally inclusive learning methods

We propose that as part of wider education-system reform, the specific interests of Pasifika people are included in a modernised system that focuses on the skills needed today. This should involve integrating indigenous learning methods from Pasifika communities, and defining new Pasifika models.

The cost of a ‘free public education’ is a barrier to education

If education is the key to the success of New Zealand and our collective investment to a thriving workforce, then we should remove the barriers to education. The cost of a ‘free public education’ with fees, tuition, uniforms, and transport was highlighted to the Commission as a significant barrier for families on low income.

As a country, we need to be committed to the principle of ‘free public education’. When a government maintains a consistent percentage of unemployed workers or workers on low wages, children are effectively denied the right to an education.

When Pasifika families are struggling to make ends meet, parents will often ask their children to leave secondary school and find a job to help the family cope financially. This saves on school expenditure and transport, and adds another source of income to the household.

The cost of transport for school children at every level is a growing burden on families. As an investment in our future workforce, we need to support the transport needs of school children in the same way we do for older New Zealanders.

P4 – Commission proposal: Greater financial support for education-related costs

We propose that further work is done on policies that would enable families to claim greater support for education-related costs such as extra fees, uniforms, and transport.

Growing the concept of ‘lifelong learning’ in the Pasifika community

Investing in lifelong learning is vital to growing a positive Pasifika community and developing a thriving workforce.

The Pasifika Centre at the Manukau Institute of Technology is based on the concept that tertiary education should be an integral part of Pasifika community life and day-to-day activities. The Centre is used by the local community for business meetings, cultural learning and ceremonies, graduations, celebrations, welcoming and religious activities. It provides a natural pathway for youth to progress towards tertiary education without hesitation.

P5 – Commission proposal: Supporting Pasifika lifelong-learning measures

We propose that the Government support more lifelong-learning initiatives, such as the Pasifika Centre at Manukau Institute of Technology.
Successful Pasifika youth ambassadors

Pasifika have many positive role models in sports, music, the arts, academia, business and politics, not just in New Zealand but around the world. The stories and experiences can inspire the next generation to overcome challenges, to succeed and thrive. Active youth ambassadors could promote these diverse experiences and support the efforts of government departments with strategies to lift the success rates of Pacific youth.

P6 – Commission proposal: Pasifika youth ambassadors

We propose that Pasifika youth ambassador roles are created to highlight examples of Pasifika success and encourage Pasifika youth to succeed.

Fundamentals of work should be written in law

Pasifika workers, like all workers, want the right to secure jobs with good pay to support themselves and their families. They want the right to be associated with their trade unions and protected by employment agreements spelled out in legislation. Pacific workers value a government that will establish an industrial framework to protect these fundamental and universal human rights.

Small loans and grants for young entrepreneurs and business start-ups

Sources of small loans are limited for young entrepreneurs and business start-ups who have great ideas but no assets. Pasifika business groups have identified the need to find ways to remove these financial barriers.

P7 – Commission proposal: Providing Pacific start-up loans and grants

We propose that appropriate organisations are resourced to provide small loans and grants to young entrepreneurs and business start-ups.
Technology, and its rapid development and adoption, is one of the critical dynamics in the changing world of work. It is a crucial part of most of our lives, and it is transforming vast numbers of New Zealand jobs. Many existing jobs are already being replaced by computers and automation. Old business models are being confronted, and some are rapidly disappearing or transforming. New business models are emerging. The impacts are already being felt with skill shortages in digital technology and complex analysis roles.

Changing technology is seeing the middle part of the job market disappear while the low-skill end increases, which could see real incomes decline. In his submission to the Future of Work Commission, Swedish academic and technologist Göran Roos observed that the largest technology disruption is in professional service industries, such as law and accounting, and industries facing obsolescence such as coal and parts of agriculture.\(^{80}\)

Roos found 55% of jobs at risk in New Zealand compared to 57% in Australia and 47% in Sweden. Countries likely to be least affected will be those with the highest levels of economic complexity.\(^{81}\)

Alongside the disappearance of jobs in some industries is the emergence of new business models and job opportunities driven by new technology. While businesses are emerging for every service imaginable on the smartphone, we have been presented with the case that real economic growth lies in growing new technology businesses with valuable intellectual property, and providing the ecosystem for adding value to existing industries. Businesses are aware of this, with 85% of New Zealand chief executives recently highlighting technological advances as the single factor with the greatest impact on business in the next five years.\(^{82}\)

This means a critical role for innovation, science and research to harness the benefits of technology for the future of work. However, through the course of the Commission’s work, we found that morale in New Zealand’s science and research community is low. Tinkering with reforms has added complexity and compliance costs, and total crown investment as a share of GDP is still lower than when the current Government took office.\(^{83}\) Overall we lack an inspirational long-term strategy, and inequalities are growing rapidly.

Despite this, our technology sector is starting to flourish and become a large contributor to the New Zealand economy. It creates many jobs, and contributes to GDP and exports. New Zealand has over 28,000 technology companies, employing almost 100,000 people. The sector created $32b in output in 2015, generating $16.2b or 8% of our GDP, and exporting $6.3b worth of products and services.\(^{84}\) But it could be a lot bigger, with more support and strategic direction.

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81. See 80.
Megatrends

New Zealand will be impacted by several overall trends that need to be addressed. ICT transformations will include increased access, processing power, big data, privacy, smart devices, on-demand, and remote work. Work patterns will change from automation, outsourcing, globalisation, insecurity, and the globalisation of talent. We will see demographic change and environmental disruption with climate change.

To build on this success, and capture the benefits for work and workers, we need to move beyond business as usual and develop a strategy to support innovation and entrepreneurship through a rich innovation ecosystem. It should link strategic science to regional high-value clusters and sector centres of excellence; align tax and investment incentives to support a high-value strategy; attract and retain global and local talent; and ensure information and social infrastructure is sufficient and appropriate. It will need to address social inclusion and the digital divide so that all citizens have their basic needs met and can participate in the information age.

Goal 1: Developing New Zealand’s technology sector

New Zealand must aim for ICT to be our second-largest contributor to GDP by 2025. To achieve this goal, New Zealand has to lift its game and confront some significant barriers.

The rise of the micro-multinational

We are experiencing a rise of small to mid-sized companies that are technologically agile and taking on new international markets and competitors. These business models are unlike anything we have seen before because they can be developed anywhere and scale can literally be built from home.

Case study

The story of Timely

Ryan Baker and Andrew Schofield created a company called BookIt in Dunedin while in their early 20s. BookIt created enterprise-grade booking software that powered many large travel and tourism websites, nationally and internationally. In 2010, Fairfax acquired BookIt and it became the software behind the travel division of Trade Me.

Being entrepreneurial, Baker and Schofield soon got itchy feet. They saw a need for cloud booking software for small businesses. There was no solution that filled small business needs for cost, design, features, and functionality.

In 2012, Ryan and Andrew launched Timely out of their bedrooms and brought on a co-founder to help with design. The company is growing quickly with 30+ staff in two countries and over 6,000 customers in 85 countries. To date, Timely has facilitated more than 25 million appointments.85

85. NBR. 2 Sep 2016. Handing out bathrobes part of remote-working culture for kiwi startup Timely.
Education barriers

The education sector is playing catch-up. It is too resource-starved to make the urgent systemic changes needed to enable future workers. There are growing calls from economists, social scientists, and business leaders that the skills needed for the jobs of the future are interpersonal skills, creative problem-solving, and deep domain expertise.

Case study

Vend and Xero

Recently New Zealand-based, cloud-software companies Vend and Xero announced a new partnership agreement to unite in key international markets for the first time.

Vend and Xero already share thousands of customers worldwide. Vend works with the retail sector to provide point-of-sale, inventory, and customer management. Xero offers sophisticated accounting and payroll software. By combining these, they will be able to deliver the most advanced end-to-end solution for small business retailers.

Sales, customer, and cash-flow data is shared in real-time between the two systems, which reduces overheads and administration for small businesses. Recently, Vend launched added profit-margin tracking on products helping business owners make better decisions and lift profits.

However, both companies have long criticised tech skill shortages in New Zealand as an impediment to growing faster.

Contracting

Many businesses are coping with the disruption of technological changes by putting more workers onto part-time variable hours or contractor status. This makes people more dependent on government assistance, results in income insecurity, and has consequences for inequality.

T1 – Commission proposal: ICT second largest contributor to GDP by 2025

We propose that the Government set a target to make ICT the second-largest contributor by 2025. This will require the Government to tackle the rise of the micro-multinational, our barriers in education, the reliance on contracting, and the growing digital divide.

References:
87. See 80.
89. See 80.
**Goal 2: Achieving digital equality across all divides by 2020**

For New Zealand to achieve digital equality, our population needs to have access to good connectivity and be able to afford to connect. This is a prerequisite for fundamental economic changes needed for our country to address the challenges we face.

- New Zealanders must have access to technology as a right, regardless of income or geography
- A deliberate strategic approach is needed from the bottom-up and the top-down. The market will not bring digital equality. Government involvement is necessary
- No communities or parts of society can be left behind
- We need a holistic view. We have to consider the contribution of innovation to well-being, inclusion and mobility. Digital inclusion can also bring economic benefits through new technologies helping us live our lives better
- Access needs to be on demand, anywhere, anytime
- An innovation and digital-inclusion strategy must link to a high-value economic strategy, involving sector-based, high-value clusters
- The education system needs fundamental reform to its curriculum, teacher training, and a skills strategy.

**Digital divides are holding us back**

Many people and businesses still lack basic access to broadband or important technology, particularly rural, Māori and Pasifika, and other low-income communities. All young people need technology access and skills to succeed in today’s workforce. Those whose jobs are disappearing need to adapt and retrain. If we don’t close the digital divides, too many people will miss out on the right to enjoy new technologies and create their own digital content, our businesses will miss vital opportunities, and our children will miss out on a quality education.

A 2015 World Internet Project report found our digital divide persists, and age and income are still the biggest barriers. Pasifika were the worst impacted with 22% of Pasifika saying they have never used the internet compared to 2% Asian, 9% European, and 15% Māori. The report found 18% of low-income families (under $35,000) are non-users and this rises to 47% for older low-income families.90

Around 13% of New Zealand’s population lives outside our urban areas.91 One of the major issues for rural New Zealand is poor connectivity. Connectivity is vital not just to farming businesses in a digital world, but also to tourism and rural industries. Remoteness should not mean a lack of core services.

Despite spending $300 million on a rural broadband programme, many New Zealand communities outside the main centres are held back because of poor connectivity.

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90. Crothers, Smith, Urale, and Bell. 2016. The Internet in New Zealand 2015. Institute of Culture, Discourse & Communication, Auckland University of Technology.
91. Statistics New Zealand. 27 Sep 2016. Analysis provided from census data.
According to council surveys, in Huntly just 44% of households have internet access, 51% in Tuakau, and 51% in Taumarunui.\(^92\) In Clutha, it costs $100,000 to connect to fibre because a transmission cable, not a connecting cable, was run through the region.\(^93\)

In Southland, while 50% had heard of the Government's broadband programme, only 4% noticed any improvement. 24% of rural businesses said lack of connectivity affected their ability to attract staff, and 41% that their internet service does not meet their needs.\(^94\)

This impacts education. In Kawerau, their main schools have complained that very few of their students have the internet at home, due to cost and access issues. Their students are being held back.\(^95\)

The children of a family living near Blenheim were reported in the Marlborough Express as having to stay up to 2am to do their homework because of the slowness of their internet connection.\(^96\)

### Digital inclusion

Bold and innovative leadership is essential to take us beyond the traditional economy to a future that is knowledge-driven and adaptive. The role of government is to be a policy driver of change. Just as we have a chief science advisor, we need a chief advisor on technology.

We need leadership to support a re-design of the education system to embed digital technology in human-centred teaching, develop the notion of broadband economies, and focus on supporting small businesses to add value. The Government needs to play an active role in promoting open-source platforms and technology-neutral solutions where the market struggles to deliver. There also needs to be more monitoring and building of knowledge about the negative aspects of technology.

We need to ensure that all people are given opportunities to develop as our new tech-based industries emerge. This means we need an absolute emphasis on digital equalities with effective monitoring and accountabilities.

#### T2 – Commission proposal: Appointing a Chief Technology Officer

We propose appointing a Chief Technology Officer, reporting to the Prime Minister and with a wide brief (and mandate), to create and implement a technology roadmap for the next 5–10 years.

### Connect everyone

The two main digital divides in New Zealand are income and geography. It is a fundamental responsibility of government to scope the digital divides and work to close them. It currently does not even measure the extent of the divide.

In 2014, the 2020 Trust concluded that 60,000 New Zealand families were not connected to the internet. That’s 60,000 households with children growing up immediately disadvantaged because they cannot do their homework online, and cannot research, participate or build digital skills outside their classroom.\(^97\)

We need to focus on and include priority populations to stop the growth of digital divides. The benefits of giving every child access to the internet at home and at school outweigh any negatives. Every child should have the ability to connect, and a device to connect, whether that is a computer or handheld device.
T3 – Commission proposal: Universal internet access

We propose that the Government commit to ensuring everyone has access to good quality internet connectivity. This will require further research to scope the exact state of current connectivity and then a strategy to get everyone connected, starting with priority populations.

As part of this, the Government could expand fibre to backhaul all rural communities and enable regional connectivity solutions through better targeted funding, expand the availability of free device use in public places like libraries and community centres, and expand free Wi-Fi in public places.

Upskill everyone and invest in creativity

The focus for the next decade is effective digital education and the ability to retrain and adapt. Whether at preschool, primary or secondary school, tertiary education, or following redundancy, accessible, affordable and modern digital education options must be available.

‘Maker spaces’ also called hack spaces or fablabs, are creative DIY spaces where young people can create, invent, and learn.98 Maker spaces are increasingly found in libraries and universities, and sometimes in people’s garages, but still not in every major centre.

T4 – Commission proposal: Greater focus on upskilling and creativity

We propose that the Government puts greater focus on digital upskilling and creativity. This includes making community computer and creative-thinking courses free and accessible, and having code clubs and maker spaces in every school and major suburb. Among other initiatives, this would extend the High Tech Youth Network throughout New Zealand, and further invest in the 2020 Trust to deliver the basics in a modern context.

Invest in creators

In its submission to the Future of Work Commission, the High Tech Youth Network (HTYN) urged us to ‘develop, build and nurture systems of innovation and creativity’. HYTN said that infrastructure is important for physical structures because it is for non-physical structures. A knowledge-driven economy is built on people’s ideas and dreams that are then given a physical or digital form.99

T5 – Commission proposal: Investing in creators

We propose that the Government invests in creators through establishing digital apprenticeships, new creative-thinking clubs, and garage grants of a few thousand dollars to help young entrepreneurs get their good ideas to the next stage.

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Value local solutions along with a nationwide approach

Local Councils are key stakeholders in making New Zealand a digital nation. They have relationships with local businesses and community organisations in ways that central government doesn’t. They can play a co-ordination and facilitating role that is uniquely local and suited to the communities they represent. Local government can also manage local connectivity assets for the good of the whole community. They could be given these roles and resourced to carry them out.

T6 – Commission proposal: Supporting local solutions

We propose that the Government partners with local communities to support their projects to close the digital divide in their area.

Goal 3: A World-class innovation ecosystem

A world-class innovation ecosystem drives three types of research: basic, strategic, and incremental. All three are needed. Financing, incubation, acceleration, skills and mentoring support need to be tailored to each stage of the development process.

Enabling each stage of the innovation process

The ecosystem must enable and drive vertical invention and commercialisation processes. Essential features are talent, capital, research infrastructure, incubation, and acceleration processes that optimise the rate of development, and global market connections that link innovators with their customers’ emerging needs.

We need to support ideas right through from the preseed, seed, scale-up, and internationalisation stages of commercialisation. In particular, funding bottle necks are often at the seed stage. At the scale-up and internationalisation stage, there can be too many incentives to offshore. Some innovators (RocketLab) choose to locate immediately to offshore incubators in major clusters. Others build global models from a domestic base (Icebreaker, Sistema). Export credit is essential when offshore entry scale is large (Glidepath).

Case study

The Seed Co-Investment Fund

The New Zealand Venture Investment Fund was established to fill a gap between the science and research community and the commercial development market. The fund brokers wholesale finance to qualified private-development funds who take a portfolio-based approach to individual innovations, usually developed by start-up companies.

In the online world, early stage commercial development is ‘born global’ with cut-throat competition requiring early decisions at each development gate, promoting ‘fast failure’ to reallocate resources quickly to the highest potential projects. To date, some $40 million has been invested in the fund. In view of industry experts, there is a high potential return on further investment in the fund, targeting portfolio expansion of 50% over four to five years.
**Capital**

Loyal capital, at reasonable cost, and appropriate to each stage of the development process is one of the most critical enablers of innovation. New Zealand capital conditions are far from optimal. There is a serious misallocation of capital away from productive enterprise in favour of land and buildings arising from New Zealand’s tax settings that effectively subsidise real estate.

Overall investment in R&D is too low. Investing for success will need a significant increase in public investment and a crucial re-set of incentives to foster higher private investment. A range of policies, including tax credits and targeted R&D support, can help.

**T7 – Commission proposal: Enabling capital**

We propose that the Government work to ensure sufficient capital is available at every stage of the innovation process through:

- improved seed funding by expanding the Seed Co-Investment and PreSeed Accelerator funds
- a deeper angel investment pool, partnering with angels and serial entrepreneurs
- overhauling government growth grant funding; streamlining overheads; realigning incentives for onshore growth
- checking export credit availability for rapidly internationalising Kiwi companies.

**Mentoring, incubation and acceleration**

A core element of effective innovation ecosystems is the ability to hothouse new ideas, knitting together capital, talent and invention more quickly and effectively. We need to support greater mentoring from angel investors, and more incubators and shared spaces. These provide flexible space and mentoring to develop ideas, and support more accelerators who help companies to commercialise their ideas.

**International connectedness**

Scale economies in high-tech clusters (Silicon Valley, Cambridge MA) and in the R&D intensity of global businesses demand the rapid expansion of global linkages for Kiwi companies.

**T8 – Commission proposal: Supporting international connectedness**

We propose that the Government support international connectedness by retuning NZTE; expanding Kiwi ‘beachhead’ facilities in more global tech clusters; expanding investment in global opinion leader research; reviewing the international-connection capabilities of CRIs and developing shared services; and working with multinationals to establish closer investment links.
A Magnet for talent

New Zealand has a compelling story as a great place to live: beautiful, diverse, tolerant and entrepreneurial. We need to build on this to offset the disadvantages of scale and distance. We need New Zealand to be a place that top talent wants to live and create. Home-grown talent comes ultimately from giving our children the best start in life by eradicating poverty, improving education, and reducing inequality. It also means refocusing tertiary education through a radical overhaul of the business and academic interface as covered in the Economic Development and Sustainability chapter.

Home-grown talent comes ultimately from giving our children the best start in life by eradicating poverty, improving education, and reducing inequality.

Case study

The University of Waterloo Co-op Programme

Some 28,000 STEM and business students participate in the Waterloo Co-op Programme, which places them in fully paid positions in real businesses where many develop and take their own innovations to market. The University of Waterloo brokers the placements, attracts high-calibre students and business partners, but retains no rights to the intellectual property created.

This model operates alongside a range of advanced research institutes, incubators and shared spaces and has become the anchor of the ‘Ontario Technology Triangle’ as multinationals have been attracted by the wealth of talent and ideas. The University of Waterloo has indicated a wish to help develop a similar cluster in New Zealand. Talent Central in Palmerston North has independently sought to replicate the Waterloo model with some local success.

Attracting and retaining the right global talent is also crucial. We need to deal with the acute skill shortage in the ICT sector and develop a sharper focus on global opinion-leader scientists and academic leaders.

T9 – Commission proposal: Making New Zealand a magnet for talent

We propose that the Government work to make New Zealand a magnet for talent. This includes supporting our own talent and ensuring our immigration system attracts the right skills and top talent, by regularly reviewing and updating the immigration skill-shortage lists and overhauling immigration processes to ensure we are selecting migrants with relevant skills.
**Owning our future**

Innovation and science policy that seeks to serve national economic strategy must help create and retain local knowledge-based capital. New Zealand’s economy is no longer determined by its physical borders. Our wealth is created through the network of firms and assets owned by New Zealanders. A US Federal Reserve study shows a massive growth in knowledge-based capital such as intellectual property, software, data, R&D, and brands. Developing knowledge-based capital usually needs a high level of IT capability.

New Zealand has the lowest participation in global value chains of developed countries. We have a low rate of patent protection and formal IP production is concentrated in relatively few capable companies, CRIs, and universities. Most patents registered in New Zealand are defensive patents by multinationals seeking to protect global rights. Developing intellectual property will be essential to achieve sustainable advantage for Kiwis participating in global value chains.

**T10 – Commission proposal: Growing knowledge-based capital**

We propose that intellectual property protection is reformed to ensure that it is user-friendly and appropriate to the needs of our typically small and innovative producers. New measures are needed to help New Zealand companies participate in global value chains, including an update of NZTE support for emerging innovators.

Procurement policy is increasingly seen as a core element of innovation policy by small smart countries. Modern procurement policy is moving away from a ‘short term, lowest cost’ framework that often drives scale and supplier collectivisation against the interests of emerging local providers. Labour has already announced policy to require the Government to consider the impact on New Zealand jobs when undertaking procurement but to expand our technology sector further changes are needed.

**T11 – Commission proposal: Reforming government procurement**

We propose that the Government reform procurement law to require better support for local intellectual property. We should use Smart Procurement (such as Finland’s) that supports outcome-driven, cluster-based local procurement, which cuts costs, promotes innovation, and attracts co-investment. This means whole of life costing which takes into account the advantages of local suppliers and ‘full equilibrium’ decision making that includes spillovers and externalities such as tax flows, employment impacts and regional impacts.

We need to see large-scale IT projects broken down to smaller parts to manage risk and open opportunities for locals. Innovation and the likelihood of intellectual property remaining in New Zealand should be a relevant factor in selecting NZTE clients for support.

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Goal 4: Investing for success

New Zealand is not investing enough in innovation and R&D. Without a radical shift, our regions will be unable to climb out of commodity production and price cycles, and our cities will be at best ‘branch manager towns’.

New Zealand invests only 1.27% of GDP in R&D across both the public and private sectors. The OECD average is nearly double that, at 2.5%. The average investment by small advanced economies is around 3% of GDP. At the heart of this problem is New Zealand’s low private-sector R&D investment. At 0.54% of GDP, New Zealand’s private-sector R&D is in the bottom third of the OECD and the lowest of the small advanced economies. Reaching the OECD R&D average would require a further $3 billion innovation investment. Ideally, $1 billion of public investment would be used to stimulate a further $2 billion private investment.

Among small advanced economies, there are clear shifts from passive to active government policy settings, increasing levels of public innovation investment, and more complex interaction between public and private R&D investments. R&D tax credits are also increasingly used alongside targeted or discretionary grants. However, feedback from stakeholders argued that tax credits can be manipulated and are most useful as part of a wider array of policies.

T12 – Commission proposal: Investing for success

In addition to the measures covered in goal 3, the following policy mix for public investment is proposed for implementation or further review.

Tax measures

An R&D tax credit, accounted from wages and salaries on R&D personnel rather than all R&D expenses, and accelerated depreciation for high-tech plant and equipment. As part of a re-established tax working group, investigate complementary general tax measures that reduce incentives to speculate in real estate and attract more investment in the productive sector.

Investment measures

Shift emphasis from untargeted to targeted R&D support, matched with new mission-led science funds, and focused on strategic economic and innovation goals. Create a range of cluster-based innovation investment funds with a strong regional footprint and close alignment to economic development strategy. Increase government investment in R&D over 10 years, with a strategic focus on leveraging private co-investment to reach the OECD average.

Goal 5: Streamlining our science system

A purpose-driven science agenda

In our consultation we heard from many stakeholders that the current research system is confused. The Government’s Business Growth Agenda is reductionist and needs strategic direction. The future strategic framework should be inclusive and wellbeing-driven.104 Efforts to redefine national welfare beyond GDP are needed to create incentives for optimal environmental sustainability and social wellbeing.

Fixing the funding system

The current funding system is operationally complex and burdensome to both researchers and private-sector partners, and fails to deliver the clear strategic intent needed to help de-risk private co-investment.

CRIs’ high commercial project-based funding has meant valuable scientist time is used to write multiple funding pitches with little chance of success. Likewise for universities, only around 7% of research proposals for Marsden Fund grants are successful.105 The perpetual chase for insecure funding has undermined the ‘critic and conscience’ role of neutral science as researchers fear funding consequences.106 It has also made a cottage industry out of gaming the system, in particular the Performance-Based Research Fund.

Case study

Lincoln Hub and AgResearch

Clumsy organisational change like AgResearch’s centralisation on a Lincoln Innovation Hub has resulted in scientific talent moving overseas and the run-down of capable institutes such as Ruakura and Invermay.

AgResearch’s restructure was widely opposed by its own staff and has seen a significant loss of scientists from the organisation. Existing facilities at Invermay and Ruakura are underutilised. At this stage, the funding for the proposed Lincoln Innovation Hub has yet to be approved, and the future of Lincoln University itself is uncertain.

104. See Prof Paul Dalziel “Wellbeing Economics” as one recent example of local discussion.
A more strategic Government partnership

The machinery of government that lies behind the science funding is also in need of review. Stakeholders told us that the current system has several flaws. We also heard of a desire to support innovation through regional development clusters.

Locating innovation policy within MBIE was questioned given the weak Business Growth Agenda, innovation and science policy being lost due to the size of the organisation, and a lack of transparency. While the aims of Callaghan Innovation are supported, performance has been poor, with a slow, 2–3 year process to develop its strategy, flawed interaction with its predecessor, and an unfocused growth grant process. NZTE focuses on major exporters with less long-term attention to the pipeline of emerging companies. The links are weak between export promotion and domestic development strategy. There were concerns over a lack of visibility over high-value foreign direct investment into the local tech sector.

Crown Research Institutes also face a range of issues.

- Cluttered and high-overhead funding bid processes
- Slow progress supporting high-value manufacturing and services sector
- The adequacy of our range and number of CRIs given evolving science strategy
- How CRIs stay attuned to the rapidly evolving needs of markets
- Whether or where more research focus needs to be placed on ICT
- CRIs and universities working more closely on commercialising research.

T13 – Commission proposal: Streamlining our science system

We propose a detailed review of the science and research funding system and oversight agencies to streamline processes and develop a more strategic partnership arrangement by the Government.

This review should include the formal science ecosystem, particularly Crown Research Institutes, their focus, coverage, and funding. The review should also include university research and commercialisation, including curriculum development and interface with the private sector as covered in the Economic Development and Sustainability chapter.
The Economic Development and Sustainability issues paper identified four policy goals for an improved economic development policy.

- **Growing a more diverse economy**: A more robust and resilient economy is needed to navigate the potential economic, social, and environmental challenges ahead.

- **Targeting world-class innovation and commercialisation**: New Zealand businesses need the incentives and the ability to pursue new technologies and new business models and become genuine world leaders.

- **Promoting sustainable, broad-based economic growth**: The incentives to achieve, and benefits that flow from, improved economic growth should be widely dispersed among New Zealand businesses and workers.

- **Managing climate change and building a low-carbon economy**: New Zealand’s climate change responsibilities should be taken seriously, while recognising the opportunities that innovative, green technologies and a low carbon economy can bring.

In the course of consultation, we received clear feedback that these issues matter to New Zealand businesses and workers. A key overarching theme in the submissions we received was that the New Zealand Government could do more to manage the economy to promote productivity, equity and sustainability, and to address climate change. These four policy goals form the basis of a 21st century economic development policy that works in the interests of all New Zealanders.

To respond to these policy challenges, this paper:

- discusses the context in which economic development policy is required to function
- refines the policy challenge into four themes that point the way to tangible policy outcomes
- identifies policy proposals that aim to deliver a tangible improvement in New Zealand’s longterm economic performance and create more decent jobs and higher wages.

All aspects of the policy analysis in this chapter have been informed by the written feedback and conversations we have had as part of the Future of Work Commission.

**Context**

Economic development policy must consider the context in which it needs to apply. Both the previous issues paper and the feedback we received recognised the following challenges as key aspects of the wider context in which New Zealand’s economic development policy must apply.

**The challenge of sustainability**

We need to deliver sustainable growth that is resilient to global and domestic changes.

While the economy is currently experiencing modest growth, this may not be sustainable on current economic policy settings. Growth in non-productive sectors, such as house-price inflation, is unlikely to continue over the long term. The challenges facing the farming sector following historically low raw milk prices demonstrate how a change in global economic forces can impact New Zealand’s economic success almost overnight.

Economic policy must take into account the economic and social risks of climate change. The New Zealand Government has climate change responsibilities, but the transition to a low-carbon, environmentally sustainable economy also presents opportunities for New Zealanders.
The challenge of equity

We need to bring the benefits of economic growth to as many New Zealanders as possible.

Economic growth initiatives do not impact on all sectors of the economy equally or benefit all New Zealanders equally. Inequality indicators continue to show a huge disparity between rich and poor New Zealanders. As our most vulnerable communities face increasing pressure, broad economic participation on the basis of shared gains becomes increasingly important.

The challenge of economic and social change

We need to foster an adaptable economic environment that allows businesses to continue to thrive, as perceptions of value change.

Today’s successful businesses and sectors may not be best placed to deal with the economic and social changes that shape tomorrow’s economy. Economic development policy needs to ensure a responsive workforce and the ability to pursue new high-value opportunities in the industries and with the technologies of the 21st century.

Acknowledging these challenges upfront helps frame the social context in which economic development policy needs to operate. The policy proposals set out in this chapter are not suggested as ends in themselves. They are informed by, and support, wider social values including equality of economic opportunity, social mobility and participation, and the self-determination of our communities.

This chapter outlines a policy response to the challenges of economic sustainability, equity, economic and social change, and climate change. By meeting these challenges, we can ensure that all New Zealanders can confidently face the changing nature of work and have sustainable, fulfilling and well-paid employment in the coming decades.

Five themes

Against that context, five broad themes have emerged. We take these themes as the basis for a renewed economic development policy that gives rise to five concrete Future of Work Commission proposals.

<table>
<thead>
<tr>
<th>Themes</th>
<th>Commission proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Targeting regional development</td>
<td>• Promoting business clusters</td>
</tr>
<tr>
<td>• Leveraging research capability</td>
<td>• Fostering public-private research partnerships</td>
</tr>
<tr>
<td>• Simplifying the business environment</td>
<td>• Consolidating regulatory expertise</td>
</tr>
<tr>
<td>• Transitioning to a low-carbon economy</td>
<td>• Developing a just transition plan</td>
</tr>
<tr>
<td>• Building wealth from the ground up</td>
<td>• Supporting new business and funding models</td>
</tr>
</tbody>
</table>

The themes and the policy proposals they give rise to are related. When considered holistically, they suggest a clear set of policy priorities for a future government committed to economic development and sustainability.
Targeting regional development

One of the biggest challenges for the New Zealand economy is to promote regional economic development in a meaningful way. The potential benefits of sustained economic growth in the regions include:

- a more balanced economy, as individual regions play to their strengths
- a wide dispersion of economic benefits
- social inclusion and cohesion
- a complement to wider economic goals.

We strongly believe that all of New Zealand can contribute to, and benefit from, economic growth.

New Zealand has no industry strategy. Economic policy tends to overlook much of the potential of smaller cities, towns, and rural regions. These areas often have the physical infrastructure to support higher levels of economic growth.

In a small economy like New Zealand, we cannot take the risk of ignoring our regions. We need to develop complementary specialised expertise and an eco-system around which people can organise.

As Göran Roos submitted to the Commission, ‘Left to its own devices, compared to a large economy, the small economy as a whole has a higher risk of decline unless there is outside intervention.’

Developing a targeted industry policy to promote regional business clusters is a key means of successfully addressing this challenge.

Clusters are groups of businesses and other organisations that work collaboratively within a particular sector to increase their research and development capacity, and to provide more opportunities to commercialise their work by bringing it to market. The two main features of a successful cluster are:

- overlap of sector specialisation
- close connections among collaborators.

Traditionally, these close connections have been geographical. Improvements in information technology mean that people can now be connected over greater distances, increasing the potential benefits.

These features allow clusters of businesses and organisations to collaborate to increase scale, learn from each other’s successes and failures, and share resources (particularly human and intellectual capital). Collaborating creates benefits that would not otherwise be available.

Where resources are limited, such as in a small economy, clusters are an effective way to promote deep specialisation in highvalue products and services. If done well, clusters optimise research and development spend and provide new economic opportunities for their communities.

Our migration system could be better used to make sure clusters get the skilled workers they need. Currently, New Zealand relies on low-skilled labour in many areas while in other areas, businesses are struggling to grow due to a lack of skilled workers. To support regional economic success, we need to review our skill-shortage lists to weed out low-skill occupation and smooth the process for high-skilled workers.

Research suggests that clustering cannot be created solely by the government deciding to develop clusters, in particular areas or sectors. The Government should not dictate to regions their priorities. The impetus for developing a successful cluster must be driven by what will create decent jobs and higher wages for New Zealand. That said, we see real opportunities for government to help develop clusters in a proactive way.

107. See 80.
We propose establishing a contestable fund to help businesses, local councils, research organisations, and iwi form the necessary relationships and frameworks to successfully develop clusters.

Successful applicants for government funding would be required to show evidence of a successful business plan with future development potential, the support of private-sector funding, and a shared vision for the economic development of the target region. Additional funding would be contingent on applicants reaching clear development goals.

Central government support is often needed to provide the confidence for private-sector development. In turn, this development provides an opportunity to invest in high-value jobs that then create an ecosystem to support the whole community.

While financial support plays a part, so does the ability of government to provide links to expertise and information that may not otherwise be available. The scale and resource of government can help bridge the gaps that smaller regional businesses inevitably face when they choose to take on the world.

Cluster policy in New Zealand could be based on international precedents. The US Small Business Administration project launched a Regional Innovation Cluster Initiative in September 2010 to support 10 clusters across the US. The clusters ranged from defence procurement to advanced electricity grid-related equipment funded by their relevant departmental counterparts. The clusters are used to meet innovation gaps in their sectors and are seen to be cheaper than traditional procurement methods. Of the funding injected into the clusters, 76% was able to be spent on providing services such as counselling, training, and events while 24% was spent on cluster management. The number of clusters supported was expanded to 14 last year with the US Small Business Administration investing US$500,000–2.5 million in each.

This example demonstrates that the economic activity associated with supported clusters has often exceeded measured benchmarks. Between years 2 and 3 of the initiative, the average total employment and revenue of small businesses in the clusters grew at an annual rate of 6.9%, over double the benchmark rate. An estimated 993 jobs were created as a result of the clusters initiative by year.

We do not have to look far to find ‘cluster ready’ sectors in the New Zealand economy. Dunedin is seen as the capital of the New Zealand Biotech industry, home to companies such as Pacific Edge (bladder cancer tests), Blis Technologies (mouth and throat probiotic), and PharmaZen (natural animal supplements).

Dunedin has potential for further growth with its compact nature and Otago University’s emphasis on sciences. The university also houses the Centre for Innovation, an R&D cluster promoting collaboration between academics and industry. Blis Technologies started after it acquired the rights to use certain bacteria strains from the university’s collection.
Leveraging research capability

A recurring theme of the feedback we received on New Zealand’s economic performance is the need to commercialise research and innovation more quickly and effectively. New Zealand needs a world-class innovation system. To meet the environmental, energy, and economic challenges of the 21st century, the system needs economic development policy to focus on researching, developing, and commercialising solutions.

International research agrees that innovation is a key determinant of sustained growth in productivity. Research also suggests that innovation-led growth is increasingly created through intensive collaboration between the different parties in the innovation processes.\(^{113}\)

This information presents a strong case for investigating ways to build connections between public-sector research organisations (mainly universities and Crown Research Institutes) and the private sector. (See also Technology: Impacts and Opportunities)

D2 – Commission proposal: Fostering research partnerships

We propose developing a comprehensive policy framework for fostering deeply integrated research partnerships. These partnerships would focus on expanding the breadth and depth of technical expertise available to the market, reducing the costs and the risks of high-impact research and development, and bringing new technologies to the marketplace faster.

The key benefits of this policy include:\(^{114}\)

- improved institutional framework for co-operation between the public sector and private players focused on innovation
- greater attractiveness of New Zealand as a destination for researchers and research funding
- increased ability to achieve critical mass for New Zealand industries to participate in global innovation networks
- improved inter-departmental coordination within and among universities and other research institutions
- clearer career pathways for students moving into employment.

This approach backs the world-class potential of our universities and builds on existing innovation in the research sector. However, potential for further growth and development remains. Our focus is on sustained interaction between the public and private sectors in areas where New Zealand can develop a competitive advantage.

One of the major benefits of a policy refresh would be a renewed focus on delivering in science-driven economic growth. This is particularly important in an economy without a strong culture of angel funding. However, innovation is also concerned with developing fit-for-purpose business structures and higher value services.

Auckland is home to two law schools as well as being a key business centre. However, deep interactions between academics, practitioners, government and business representatives is limited. Deeper public private integration would support economic growth objectives by:

- ensuring law structures are not outdated or limit market developments
- providing regulatory advice and approvals for new technologies and emerging issues
- finding sophisticated ways to develop and protect intellectual property.


\(^{114}\) Some of these have been drawn from OECD work.
Simplifying the business environment

New Zealand ranks highly on international measures for ease of doing business and for freedom from corruption. However, these standards are not the bar for excellence in the 21st century. New Zealand’s policy infrastructure must be precisely calibrated so that businesses have the confidence to take well-considered risks.

We recognise that policy infrastructure impacts on key determinants of business success, including the competitive market environment, access to capital (through managing regulatory risk), and the responsiveness of labour markets.

Understanding these economic levers and how to use them most effectively requires greater responsibility for managing the regulatory system as a whole. Despite MBIE being currently mandated to do so, New Zealand has no centre of excellence for regulatory expertise. Instead, regulatory policy functions are diffuse, and system-wide insights are difficult to identify and share. This reduces the quality of regulatory policy and inhibits economic development opportunities that might otherwise be available.

D3 – Commission proposal: Consolidating regulatory expertise

We propose consolidating the government’s regulatory policy functions into a standalone organisation or division within an appropriate Government body. While the secretariat will be drawn primarily from Treasury and MBIE staff, including the existing Regulatory Quality Team, expertise will also be drawn from other departments. Revolving secondment arrangements would strengthen relationships with key operational departments and ensure opportunities for system-wide insights are capitalised on.

Consolidating the government’s regulatory expertise would create immediately available benefits.

- The mandate to pursue regulatory quality initiatives more proactively. This helps to move beyond the ‘set and forget’ mentality, often apparent in some areas of regulatory policy. [Need a go to for regulations that are problematic]
- The opportunity to move the emerging policy work on regulatory stewardship beyond department self-assessment
- An administrative-based assessment to support regulatory review and ensure implementation decisions are subject to appropriate scrutiny and policy goals are met
- A central point of engagement for private-sector experts and business interests, potentially including formal opportunities for feedback to ensure regulation is credible and effective in practice
- A source of advice for Parliament, to enhance the legislative frameworks that establish and govern regulatory systems.

These outcomes are needed to accelerate the maturity of New Zealand’s regulatory policy regime. As a small and isolated economy, New Zealand can secure a real comparative advantage in system-wide regulatory quality.
We could create a deliberate focus on particular regulatory regimes that appear to be under performing and costing business and government with little benefit.

- The recalibration of financial markets regulation impacts significantly on the ability to raise capital by replacing gaps in the regulatory scheme with very wide regulator discretion. This suggests high informational needs for the regulator and review agencies, which may not be able to be met in practice.
- Important regulatory functions now lie with New Zealand’s central bank, but its structure and cultural have not adjusted to suit these new purposes.
- Economic regulation is unsettled given changing investment needs and technology trends. It is currently difficult to know if the best approach for growth is being pursued effectively.

A centralised office of regulatory expertise could be based on a similar model to the Office of Information and Regulatory Affairs (OIRA), which is part of the Executive Branch of the United States Government. OIRA has a broad mandate to coordinate regulatory efforts and share expertise. The responsiveness of New Zealand’s centralised government means that a similar approach here may deliver greater returns even more quickly.

**Transitioning to a low-carbon economy**

Climate change is both the planet’s greatest challenge and an opportunity for New Zealand. The average temperature has already risen 0.9°C in the last century and without global action will rise another 3.5°C by the end of the century.\(^\text{115}\)

New Zealand faces risks in rising sea levels, increased frequency of flooding, wildfires, and drought. Sectors like farming, fishing, and forestry are especially vulnerable, with Treasury finding the drought in 2013 took 0.7% off New Zealand’s GDP.\(^\text{116}\) These sectors are also integral for the post-settlement Māori economy.

New Zealand must have an active plan to address climate change if we are to have sustainable economic growth that promotes decent jobs, greater security, and higher wages. The Government must ensure we meet our 2015 Paris Agreement climate-change targets and have a just transition that treats all New Zealanders fairly. Without an active plan to transition, New Zealand will fall behind and the economic impacts of climate change will severely affect some New Zealanders.

We must have a managed transition that prevents shocks to individuals, communities, and industries. A just transition plan is also an economic growth plan. Business NZ has forecasted carbon prices to rise up to $115 a tonne.\(^\text{117}\) By taking action early, New Zealand will avoid the high costs of adapting late and be in a position to take advantage of emerging industries to drive future growth.

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\(^\text{115}\) New Zealand Climate Change Centre. Apr 2014. IPCC Fifth Assessment Report New Zealand Findings.
For widespread small scale emissions, an active plan would include a strengthened Emissions Trading Scheme and incentives for emission-reducing solutions. We will need to support industries that provide ongoing benefit for New Zealand, such as steel and aluminium manufacturing, to become carbon-neutral through technologies like green coke and carbon capture or conversion.

Some major sources of emissions like coal, however, will see the end of the industry within this century. This will impact heavily on New Zealand’s regions. The Government needs a more active plan to ensure that these communities are not unfairly impacted by the change and have pathways to support them through the transition. Where possible, the plan should ensure that new jobs are created: in areas where jobs are lost, using the existing transferable skills of the community, and in sustainable industries with low emissions.

### D4 – Commission proposal: Developing a just transition plan

We propose that the Government develops a just transition plan led by an Independent Climate Commission with responsibility for carbon budgeting, planning, and adaptation.

For regions particularly impacted, individual plans must be developed from the ground up in partnership with local communities, businesses, unions, iwi, and research bodies. As part of these plans, the Commission would use existing regional development funding to support transitions and be supported by a National Science Challenge for Transitions. The Challenge would also include Industry Training Providers so that the necessary skills requirements are developed in tandem with new technologies and opportunities.

The Central North Island is likely to be heavily hit by climate change transition-related job losses. The Government needs to work with the community to use New Zealand’s existing strengths in the area to create new jobs. For example, local wood-processing businesses, training organisations, and research bodies could be drawn into a business cluster to focus on high-quality wood products such as engineered timber, housing prefabrication, and wood-based biofuels.

Successful sustainable businesses in the area, such as the Kinleith plant, could be involved. The plant, while using its own waste products to generate much of its electricity, is one of the lowest-cost pulp and paper mills in the world.\(^{118}\)

A just transition plan reflects many of the ideas and approaches discussed in this paper: centralised responsibility for key policy issues, a need for deep world-leading research, and a regional focus. This reflects the overarching challenge of climate change to the New Zealand economy. A concerted, focused policy effort will ensure climate change impacts are managed in the best possible way for businesses, workers and future generations.

**Economic Development and Sustainability**

**Building wealth from the ground up**

The growth of new technologies and changing ideas about business management and ownership highlights how important it is for New Zealand to fund and embrace new ways of doing business and finding capital.

The Commission found that these new models are often pioneered by young entrepreneurs who do not feel bound by traditional structures. We’ve seen the growth of social enterprises, profit-sharing initiatives, cooperative models, non-hierarchical philosophies such as TEAL and Holacracy, and coworking spaces such as GRID/AKL, Enspiral and SubUrban.

As the new world of work develops, these new business models can reduce inequalities by ensuring the value and wealth generated is shared fairly and retained as much as possible by those who earned it.

The Commission heard from several organisations implementing these new business models. While some had sufficient capital to develop their ideas, others struggled to find the support to work in what was seen as an unusual or risky manner, in addition to the common challenges of raising capital for small business.

### Case Study

Holacracy gained attention in 2013 when shoe retailer Zappos attempted a company without a formal boss. The idea has been tried in New Zealand by a few companies including Humankind, an HR company founded by Samantha Gadd.

Gadd describes the management structure as a group of nested circles, instead of the pyramid associated with a typical business hierarchy. It has an anchor circle with other circles inside it, representing the organisational structure.

The structure allowed staff at Humankind the freedom to try new ideas and removed management bottlenecks.\(^{119}\)\(^{120}\)

The trial was put on hold last year, after the company grew considerably and needed to be restructured. Under New Zealand employment law, however, the restructure wasn’t possible with a holacracy model. The company is now considering moving to a TEAL model which has less reliance on a formal structure than holacracy and instead relies on self-management, a culture of wholeness, and an evolutionary purpose for the organisation.

Another common challenge was the practical implementation of many of the models. Some submitters highlighted legal barriers such as requirements under law to have an ‘ultimately responsible manager’, which is inconsistent with some non-hierarchical models. A joint Massey and Auckland University study due to be released in December 2016 will highlight opportunities for, and challenges to, the cooperative business model.\(^{121}\)

The Commission considered the challenge of accessing capital, which is a dynamic area. New models using equity crowd funding platforms such as Snowball Effect offer new opportunities for raising capital and peer-to-peer lending.

Several government initiatives, such as the PreSeed Accelerator Fund and the NZ Venture Investment Fund, provide funding and grants to early-stage businesses. However, these schemes commit public funds, are designed primarily for young companies, and tend to focus on supporting technology companies. A funding

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\(^{119}\) Idealog. 2 Sep 2015. No bosses allowed: Holacracy looks to remove the hierarchy from business.

\(^{120}\) Idealog. 17 Feb 2016. HR Shops’ big holacratic experiment comes to an end for now.

gap remains for other small businesses, especially those seeking to grow but are not considered a start-up.

Some countries have schemes designed to channel finance to small businesses and the productive economy, including the Enterprise Investment Scheme and the Seed Enterprise Investment Scheme in the UK. The schemes match investors looking for an equity stake with start-ups or small businesses seeking finance who meet their criteria. Investments receive substantial tax breaks.

Three-quarters of Enterprise Investment Scheme companies said the investments increased their sales; over half said productivity had increased as a result of the investment; three-quarters said they had made innovations directly linked to the investment; and just under three-quarters of companies said they had employed more people as a direct result of the investment, with the median increase in employment being 33%.

It also improved mentoring, with investors taking positions on company boards or getting involved in management and strategic planning to help business growth.

D5 – Commission proposal: Support new business and funding models

We propose that the Ministry of Business, Innovation, and Employment is directed to provide proactive advice and support to enable new business models to be created, particularly social enterprises and cooperatives. This support for businesses should include shared research on new models of business, a one-stop shop for advice and forums, and opportunities to share insights, and raise problems and solutions.

We also propose a workstream to identify ways to provide better financing support, and address the policy and legal barriers to creating and maintaining successful social enterprises and cooperative models of business management.

We propose consulting on access to capital for small and medium enterprises, and exploring investment incentive schemes such as the Enterprise Investment Scheme.

122. HM Revenue & Customs/Ipsos MORI. Feb 2016. The use and impact of venture capital schemes.