MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# BRIEFING

## Prime Minister's Business Advisory Council meeting on 6 December

| | | | |
|---|---|---|---|
| **Date:** | 3 December 2019 | **Priority:** | High |
| **Security classification:** | In Confidence | **Tracking number:** | 1582 19-20 |

| **Action sought** | | |
|---|---|---|
| | **Action sought** | **Deadline** |
| Rt Hon Jacinda Ardern<br>**Prime Minister** | **Note** the agenda, supporting papers and talking points for the 6 December meeting of the Prime Minister's Business Advisory Council | 5 December 2019 |

| **Copied to:** |
|---|
| Hon Phil Twyford<br>**Minister for Economic Development** |
| Hon David Parker<br>**Minister for Trade and Export Growth** |
| Hon Nanaia Mahuta<br>**Minister for Māori Development** |
| Hon Kris Faafoi<br>**Minister of Commerce and Consumer Affairs** |

| **Contact for telephone discussion (if required)** | | | | |
|---|---|---|---|---|
| **Name** | **Position** | **Telephone** | | **1st contact** |
| Paul Stocks | Deputy Chief Executive, Labour, Science and Enterprise | 04 901 3893 | Privacy of natural persons | ✓ |
| Mark Lea | Principal Policy Advisor, Strategic Policy Development | 04 901 8757 | | |

| **The following departments/agencies have been consulted** |
|---|
| The Treasury |

**Minister's office to complete:**

- ☐ Approved
- ☐ Noted
- ☐ Seen
- ☐ See Minister's Notes
- ☐ Declined
- ☐ Needs change
- ☐ Overtaken by Events
- ☐ Withdrawn

**Comments**

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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| **Date:** | 3 December 2019 | **Priority:** | High |
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## Purpose

To provide the agenda, supporting papers and speaking notes for the 6 December meeting of the Prime Minister's Business Advisory Council.

## Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the agenda, supporting papers and talking points for the 6 December meeting of the Prime Minister's Business Advisory Council.

*Noted*

Privacy of natural persons

**Deputy Chief Executive**
Labour, Skills and Enterprise, MBIE

3 / 12 / 19

Rt Hon Jacinda Ardern
**Prime Minister**

..... / ...... / ......

## Background and details of the meeting

1. The Prime Minister's Business Advisory Council (BAC) is meeting on 6 December. You have previously discussed the agenda for this meeting with the Chair of the BAC, Fraser Whineray.

2. The agenda for the BAC meeting is at Annex One. Further context for each agenda item is provided below. Talking points for each item are provided with the supporting paper in the relevant annexes (except for the first agenda item, Work in progress update, for which there is no paper).

### Ministers attending

3. The following Ministers have confirmed their attendance at the meeting:

   - Minister for Economic Development
   - Minister for Trade and Export Growth
   - Minister for Commerce and Consumer Affairs

4. The Ministers of Finance and Education, and the Minister for Māori Development are unable to attend.

## Notes on agenda items

### Work in progress update

*Purpose*

5. This agenda item is only five minutes long and is for the BAC to provide an update on work in progress, which is likely to include the skills pledge. This item will be primarily led by the Chair. You will lead (if necessary) for the Government. There is no paper for this item.

6. Since it is only five minutes long then there is likely to be little, if any, time for you to provide an update on recent government developments. The talking points below are primarily for responding to any questions raised by the BAC. If there is time for you to provide an update, then we suggest you focus on the Government's recently announced response to the Small Business Council's report.

*Talking points - Small business (if time available)*

- Government announced its response to the Small Business Council's recommendations on 2 December, based around four themes:
  - understanding the needs and experiences of small business
  - ensuring appropriate finance options for small business
  - enabling small business skills and capabilities
  - providing an enabling regulatory environment.
- Ministers have asked departments to meet a 10 working day target for paying invoices.

- New tools for business.govt.nz have been announced – a Funding Explorer to highlight funding options for businesses seeking finance and a new strategy module.
- The Business Connect Pilot is ready to go live with its first services. These will be available to businesses as soon as our pilot agencies, Customs and Manawatu District Council, are happy to launch them.

*Talking points - Future of work (if asked)*

- Work arising from the Tripartite Future of Work Forum includes:
  - Release of its Strategic Assessment of Future of Work Priorities – with four initiatives:
    - Industry Transformation Plans, to add value to five key sectors of the economy – food and beverage, digital technology, forestry and wood processing, construction, and agritech
    - facilitating in-work training, as workers will need to acquire, maintain and upgrade skills throughout their working lives
    - support for displaced workers to ensure transition between work is as smooth as possible and negative impacts minimised
    - protections for non-standard workers, such as contractors and those working in the gig economy.
  - Supporting employer-led literacy and numeracy training in the work place. New funding of $14.5 million over four years means the Government will contribute nearly $45 million to the employer-led workplace literacy and numeracy fund between 2019 and 2022.
- Government has also established a Future of Work and Transitions Unit within the Ministry of Business, Innovation and Employment, cross-resourced with Treasury, to support the Forum and shape and coordinate the cross-government policy work programme.

*Talking points – Skills (if asked)*

- Thank the BAC for their ongoing engagement on the Reform of Vocational Education. This work includes establishing industry-led Workforce Development Councils, Regional Skills Leadership Groups, and the New Zealand Institute of Skills and Technology
- Changes will be implemented over the next 18 months to ensure the immigration system is facilitative where there is genuine need, but encourages growth of the domestic labour force – including through sector agreements – and reviewing how the skills shortages lists get done.

*Talking points - Government's Economic Plan (if asked)*

- Government launched its Economic Plan in September 2019.
- The Plan outlines eight economic shifts to transform the economy and improve New Zealanders living standards and wellbeing.

*Talking points – Infrastructure (if asked)*

- The New Zealand Infrastructure Commission will develop a 30-year strategy and publish pipelines of projects to give certainty to industry.

- The Government announced a $400 million school property investment programme on 1 December, and the further significant announcement due soon.

*Talking points - Skills pledge (if asked):*

- Three public service agencies have committed to specific pledges that supporting their organisation's current context and direction.
- The Ministry of Business Innovation and Employment (MBIE) pledges to increase its learning and development budget as a percentage of wage and salary costs over two years to 1.75% in 2020/21 and 2.0% in 2021/22.
- Inland Revenue pledges to continue to invest in lifting the capability of all of its people as part of its ongoing People Strategy as well as through the five-year transformation programme (expected to be completed in 2021).
- Ara Poutama Aoteroa (Corrections Service) pledges to increase its investment in on-line learning programmes and to increase self-directed learning uptake via an on-line learning hub over the next two calendar years commencing at the beginning of 2020.
- These pledges have not been publicly announced and these agencies will report on progress in their annual reports.
- More generally, the State Services Commission is leading early work to consider other aspects of workforce change across the public service system and building the system's workforce capability.

## Māori future of work – Ngati Āpōpō, Tomorrow's People

*Purpose*

7. The BAC will report and discuss the findings and recommendations of their report on Māori future of work. This item will be led by the BAC. Two papers have been prepared by the BAC (Annexes Two and Three).

8. You will lead for the Government as the Minister for Māori Development is unable to attend. Talking points are in Annex Two.

*Context*

9. In May 2019 the BAC published a report in partnership with McKinsey & Company, *A future that works: Harnessing automation for a more productive and skilled New Zealand*. This report identified a number of opportunities and challenges for New Zealand. One of its recommendations was to commission a further report looking at what the future of work holds for Māori.

10. The BAC's Māori future of work report draws on McKinsey's modelling of future trends and international case studies. The BAC recommends that the Government should enable a Māori Transformation Initiative. This would be a Māori-led initiative to identify opportunities, develop solutions and assess the impact for Māori.

## KiwiSaver reform – making it fair

*Purpose*

11. The BAC will discuss the opportunity to enhance KiwiSaver through a staged transition to a compulsory savings scheme with the objective of achieving minimum annual contribution of 10-15% of personal income by 2030. There are two supporting papers

for this item, one prepared by the BAC (Annex Four) and another prepared for you to share with the Chair at your 10 October meeting with him (Annex Five) [see Briefing 1042 19-20].

12. The Minister of Commerce and Consumer Affairs will lead for the Government. Talking points are in Annex Four.

*Context*

13. The BAC paper (Annex Four) proposes a 10-year transition to a compulsory savings scheme with the following components:

- compulsory KiwiSaver enrolment for all employees and self-employed
- minimum employer contribution of 3% irrespective of the employee contribution
- minimum employer contribution to be increased annually at time of pay review (with a target of 5-7.5% by 2029)
- minimum individual contribution rate of 1% with annual increases targeting 5-7.5% by 2029.

14. The paper at Annex Five is a response to concerns raised by the Chair about the regressive nature of KiwiSaver and his suggestions to improve this. The paper sets out the pros and cons of these different options.

**Healthy homes – the biggest appliance needs a rating**

*Purpose*

15. The BAC will discuss the opportunity to implement an Energy Performance Certificate (EPC) rating scheme targeting the energy efficiency of residential buildings in New Zealand. The BAC has prepared a paper to support this item (Annex Six).

16. You will lead for the Government. Talking points are in Annex Six.

*Context*

17. The BAC's Energy Performance Certificate rating scheme builds on New Zealand's Energy Star Rating labels and a similar UK scheme. Key features of its proposal are:

- a certificate is required at the time of sale, letting or building completion of domestic houses and dwellings
- certification must be carried out by a qualified professional
- the EPC would include guidance on how to improve the rating cost effectively, with details of relevant incentive schemes
- exceptions for historic buildings.

**Future of work – demand signal missing**

*Purpose*

18. The BAC will discuss the opportunity for business to provide timely insight into their expected medium- and long-term workforce needs to shape today's education and training decisions for individuals and Government. The BAC has prepared a supporting paper (Annex Seven) for this item.

19. You will lead for the Government as the Minister of Education is unable to attend. Talking points are in Annex Seven.

20. Officials from the Ministry of Education (Grant Klinkum, Deputy Secretary) and the Tertiary Education Commission (Tim Fowler, Chief Executive) will attend the meeting.

*Context*

21. The BAC has previously discussed this topic in the context of the reform of vocational education.

## General business

*Purpose*

22. Time permitting, the BAC have proposed two additional items:

- Predator Free 2050
- Business Connect

*Context*

23. The Chair has shown an interest in both of these topics previously and a background paper on each was prepared for you to share with him at your 10 October meeting [see Briefing 1042 19-20]. These papers are at Annexes Eight and Nine respectively.

24. You will lead for the Government. Talking points on Business Connect are at Annex Nine.

## Additional papers sent to the BAC

25. The BAC Secretariat has separately provided the Chair (to provide to the BAC) with:

- an update on a range of topics the BAC has shown an interest in, such as the reform of vocational education and the Government's research, science and innovation strategy
- a response to a range of questions from the Chair on the 'demand signal' for skills.

26. These papers are not being circulated for discussion at the meeting, but are attached at Annex Ten and Annex Eleven in case raised.

# Annexes

| | |
|---|---|
| Annex One: | Agenda |
| Annex Two: | Māori future of work – Ngati Āpōpō paper and talking points |
| Annex Three: | Māori future of work – Excerpts from Māori Future of Work report |
| Annex Four: | KiwiSaver for 2030 paper and talking points |
| Annex Five: | KiwiSaver background paper (from Government) |
| Annex Six: | Healthy homes for 2030 paper and talking points |
| Annex Seven: | Future of work – demand signal paper and talking points |

Annex Eight: Predator Free 2050 - background paper (from Government)

Annex Nine: Business Connect - background paper (from Government)

Annex Ten: Update on matters of interest to the BAC (from Government)

Annex Eleven: Response to the Chair's questions on the 'demand signal'

## Annex One: Agenda

**Prime Minister's Business Advisory Council meeting**

**Date**: 6 December, 9am to 12pm

**Location**: Auckland Policy Office, 45 Queen Street, Auckland

**Agenda**

| | Item | Supporting paper | BAC lead | Govt lead |
|---|---|---|---|---|
| 8am | BAC members arrive | | | |
| 8.45am | PM and Ministers arrive | | | |
| 9am | Opening mihi | None | Bailey Mackey | PM |
| 9.05am | Welcome and opening | None | Chair | PM |
| 9.10am | Work in progress update | None | Chair, Andrew Grant | PM |
| 9.15am | Māori Future of work – Ngati Apōpō, Tomorrow's People | Annexes Two and Three | Rachel Taulelei, Bailey Mackay | PM |
| 10am | KiwiSaver reform – making it fair | Annexes Four and Five | Jacqui Coombes, Jocelyn O'Donnell | Hon Kris Faafoi |
| 10.30am | Break | | | |
| 10.45am | Healthy homes – the biggest appliance needs a rating | Annex Six | Chair, Barbara Chapman | PM |
| 11.15am | Future of work – demand signal missing | Annexes Seven and Eight | Gretta Stephens, Anna Curzon | PM |
| 11.45am | General business (time permitting)<br>- Predator Free 2050<br>- Business Connect | Annexes Nine and Ten | Chair, Andrew Grant | PM |
| 11.55am | March 2020 agenda | None | Chair | PM |
| 12pm | Meeting close | | | |

**Attendees**

| | |
|---|---|
| Business Advisory Council: | Fraser Whineray, CEO Mercury NZ Ltd (Chair) |
| | Peter Beck, CEO Rocket Lab |
| | Barbara Chapman, Professional director/ Chair Genesis |
| | Jacqui Coombes, Director Bunnings Group |
| | Anna Curzon, Chief Product and Partner Officer Xero |
| | Andrew Grant, Senior Partner McKinsey & Company |
| | Miles Hurrell, CEO Fonterra |
| | Bailey Mackey, CEO Pango Productions |
| | David McLean, CEO Westpac NZ Ltd |
| | Jocelyn O'Donnell, Director HW Richardson Group |
| | Gretta Stephens, CEO Bluescope/NZ Steel |
| | Rachel Taulelei, CEO Kono |
| Ministers: | Rt Hon Jacinda Ardern, Prime Minister |
| | Hon Phil Twyford, Minister for Economic Development |
| | Hon David Parker, Minister for Trade and Export Growth |
| | Hon Kris Faafoi, Minister of Commerce and Consumer Affairs |
| Officials: | Brook Barrington, CE Dept of Prime Minister and Cabinet |
| | Carolyn Tremain, CE MBIE |
| | Paul Stocks, DCE MBIE |
| | Grant Klinkum, Deputy Secretary Ministry of Education |
| | Tim Fowler, CE Tertiary Education Commission |
| Apologies: | Hon Grant Robertson, Minister of Finance |
| | Hon Chris Hipkins, Minister of Education |
| | Hon Nanaia Mahuta, Minister for Māori Development |

## Annex Two: Māori future of work – Ngati Āpōpō paper and talking points

*Talking points*

- Thank the BAC for commissioning the report, particularly as it provides a Māori perspective on the future of work issue.
- Having a specific focus on Māori when considering future of work issues is important because the Māori economy is a growing part of the New Zealand labour market and the Māori population is young and will form an increasingly large portion of New Zealand's workforce.
- The current Treaty settlement environment provides an opportunity for the Crown to partner with iwi and hapū that are shifting focus from settling Treaty grievances to improving wellbeing and strengthening communities.
- The Government's Employment Strategy identified the need for a cross-agency/cross-portfolio action plan to address the labour market disparities experienced by Māori. The Minister of Employment is leading the development of this action plan, which will also provide opportunities to identify ways for the Government to support Māori aspirations for work.
  - This approach aligns with the BAC's recommendation that solutions for inclusive economic growth need to be designed and led by Māori.
- The Government's Youth Employment action plan identified specific cross-Government actions to support young people (including rangatahi Māori) through a pipeline of supports that improve young people's building blocks for success and support them to make informed choices and overcome barriers to employment.
  - This supports the BAC's recommendation that interventions be focussed on young people who are entering the workforce by 2030, and ensuring education and training systems that work for Māori.
  - It is important – as pointed out by the BAC – that we identify, design and support solutions that are based on practical applications of te ao Māori, and are tailored for local contexts, industries and groups of people.
- The newly established Future of Work and Transitions Unit in the Ministry of Business, Innovation and Employment, and MBIE's Te Kupenga (Māori Economic Development) team are best placed to consider the report and recommendations

PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

# Ngāti Āpōpō – Tomorrow's People

| | |
|---|---|
| TO: | |
| DATE: | December 2019 |
| MEETING DATE: | 6 December 2019 |
| SUBJECT: | Māori Future of Work<br>(this paper should be read in conjunction with mainstream FOW Report) |

## 1 Mihi

The Prime Minister's Business Advisory Council undertook the challenge of considering what the future of work holds for Māori, and what Māori will need in order to successfully navigate their way to wellness in the advent of massive technological change.

Our exploration drew on McKinsey's modelling, international case studies, and the knowledge and lived experiences of Māori business leaders.

We are mindful that language shapes how we make sense of this challenge. That this work cannot be distinct from other aspects of life for Māori if we are to exist in a virtuous circle of economic wellbeing, a regenerative environment, inclusive society, and culture, at the heart of which lies people.

For this reason, we reframed the enquiry from the future of work to the more holistic perspective of *Ngāti Āpōpō, Tomorrow's People*.

Ngāti Āpōpō acknowledges that Māori need to be the key architects in determining their future. It touches on the unique challenges Māori will face within the future of work and presents one central recommendation to enable Māori to succeed in a changing world, and by doing so, enable Aotearoa to thrive.

We acknowledge the responses already planned and underway by Government, iwi, business, and community to help realise present and future benefit for Māori. This report supports that collective response by providing a Māori business perspective of challenges and requisite solutions.

## 2 Wero

Future of work challenges are well documented, yet unique when considered by ethnicity and demographic.

- Māori currently account for 13% of the working age population but are estimated to contribute 27% of working age population growth between 2019 and 2030

- Of the projected Māori working age population in 2030, an estimated 28% are under 15 today with 150,000+ children having not yet started secondary school

- Māori are more exposed to the impacts of automation as they are over-represented in high automation occupations. 24%[1] of Māori jobs, versus 21% for the New Zealand workforce as a whole, will potentially be replaced by automation by 2030, displacing ~100,000 Māori workers

- Māori are forecast to benefit equally with the general population from new jobs generated, gaining an estimated net 7,000 jobs. However, many of the new jobs will require different skills sets and many will be in different and often urban locations which will be an additional challenge for Māori living in the regions. The Māori unemployment rate (10.8%) is double the New Zealand average, and 20% of Māori 15-24 years olds are unemployed (MBIE, 2017). By 2022 the Māori workforce will enter a transitional period of increased unemployment - as automation starts to displace jobs, and before people displaced can gain new skills and new jobs are generated.

Aotearoa is on the cusp of an unprecedented situation as it pertains to the future of work for Māori.

[1] All data is from McKinsey's 2019 analysis commissioned for this report unless otherwise referenced

This future of work demands a unique set of responses. Responses that find their sense, strength, motivation, and direction in te ao Māori. A practical application of a te ao Māori belief-set allows for a productive and sustainable Aotearoa economy through improving business performance, employee productivity, economic and social inclusion and diversity.

The Māori economy can be viewed as one that is developing within one which is already developed. As it strengthens and prospers, so too will our country's economy. Though challenged in many areas, Māori could benefit from significant opportunities through clarifying property rights, in enabling long-term capital commitments, and in leveraging collective investment opportunities within iwi and globally.

Critical to the success of realising these opportunities will be developing education and training systems that work for Māori; and building incentive structures for Māori inclusion and full participation in society and its economic development. More broadly, incentive structures need to be recalibrated to shift short-term thinking to that which is intergenerational in nature.

Realising inclusive economic growth in the face of change will not occur without interventions in multiple systems, including but not limited to education, employment, health and housing.

Solutions to attain inclusive economic growth for Māori - for transitioning Māori successfully into the future of work - need to be designed and led by Māori. This extends to determining a holistic definition of success.

With as much divergence amongst Māori as there is commonality, solutions for Ngāti Āpōpō will differ between Māori communities; between industries; between MSMEs, iwi entities and trusts/incorporations; between urban and rural. Solutions will need to be designed or tailored for local contexts.

Successful navigation of unprecedented change requires the ability to keep learning, to keep adjusting our course. An agile approach to designing and delivering solutions is non-negotiable.

# 3 Whakakaupapa / Recommendation

Our priority is Māori wellness. Taha tinana, taha hinengaro, taha whānau, and taha wairua.

With this as our focus, the PMBAC recommends Government enable the identification of opportunities, the development of bespoke solutions, and assessment of impact for Māori through a transformative Māori led delivery system.

More specifically, a **Māori Transformation Initiative**.

The MTI would be a quasi-government entity reporting to the highest level of government. Governance would include CE leadership from relevant Ministries alongside iwi and Māori representation – with visible sponsorship from the Prime Minister.

It would responsible for:

- A transformative, rapid outcome-oriented Māori-led programme - Ngāti Āpōpō - that prepares Māori for the future of work and for inclusive economic growth
- Initial focus would be placed on rangatahi Māori – those entering the workforce by 2030

It will be a small unit working in partnership with government agencies and drawing upon a succession of experts and diverse perspectives to identify impactful solutions.

The MTI will start with an audit of current public and private sector programmes to assess impact. This extends beyond employment and skills programmes to those that address systemic barriers to the future success of Māori in the workforce.

The MTI will monitor delivery and effectiveness through timely data and transparently communicating outcomes. Agreed KRAs and smart KPIs will dictate both human and financial capital allocation.

To catalyse breakthrough growth and development, Māori will need to set bold aspirations for the programme. Government will need to make tough choices, mobilize resources to deliver at scale and with urgency, and allow for new, potentially decentralized models of execution.

The MTI is time bound.  Once Ngāti Āpōpō can be delivered without the MTI leadership, it would be redirected to other Māori priorities or cease to exist.

## 4 Whakarāpopototanga / Summary

The goal of the Māori Transformation Initiaitve is Māori wellbeing through inclusion in work and the economy.

It will achieve this through addressing the unique challenges and opportunities that the Future of Work present for Māori.

The MTI will provide proven, influential, and well-connected te ao Māori leadership into multiple systems. It will seek to address systemic challenges and use rapid prototyping and co-design to generate solutions that work for different contexts; for different industries, different regions and different business models.

It will relentlessly drive joined-up execution, ensuring maximum return on investment.

It is a bespoke, innovative approach to ensuring Aotearoa is the best place for rangatahi Māori to excel.  It addresses a risk of increased unemployment and an impoverished economic future for Māori, and does so as a collective priority.

Ngāti Āpōpō is an opportunity to execute with effect.

**‘Ko te pae tawhiti, whāia kia tata; ko te pae tata, whakamaua kia tīna’**
*‘Seek out distant horizons and cherish those you attain’*

## Annex Three: Excerpts from Māori Future of Work report

# Excerpts from Māori Future of Work Report.



PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

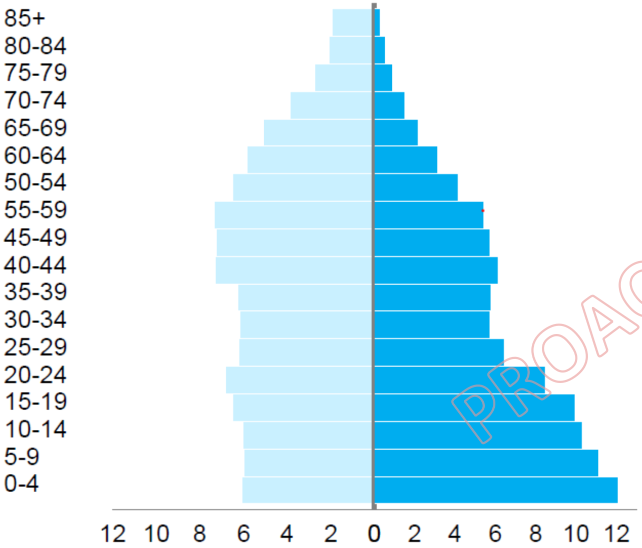
**6 DECEMBER 2019**

# Contents

# Māori are a growing and important part of New Zealand's working population

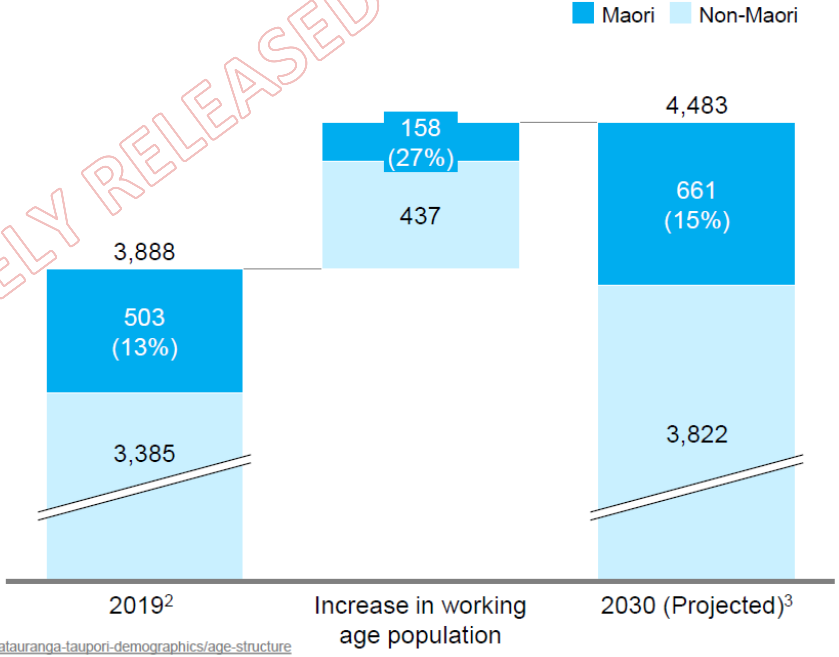
## Māori are disproportionately young compared to the rest of New Zealand's population

Distribution of population by age group (2013), average of male and female, %[1]




## Māori account for 13% of the working age population but will contribute 27% of growth between 2019 and 2030

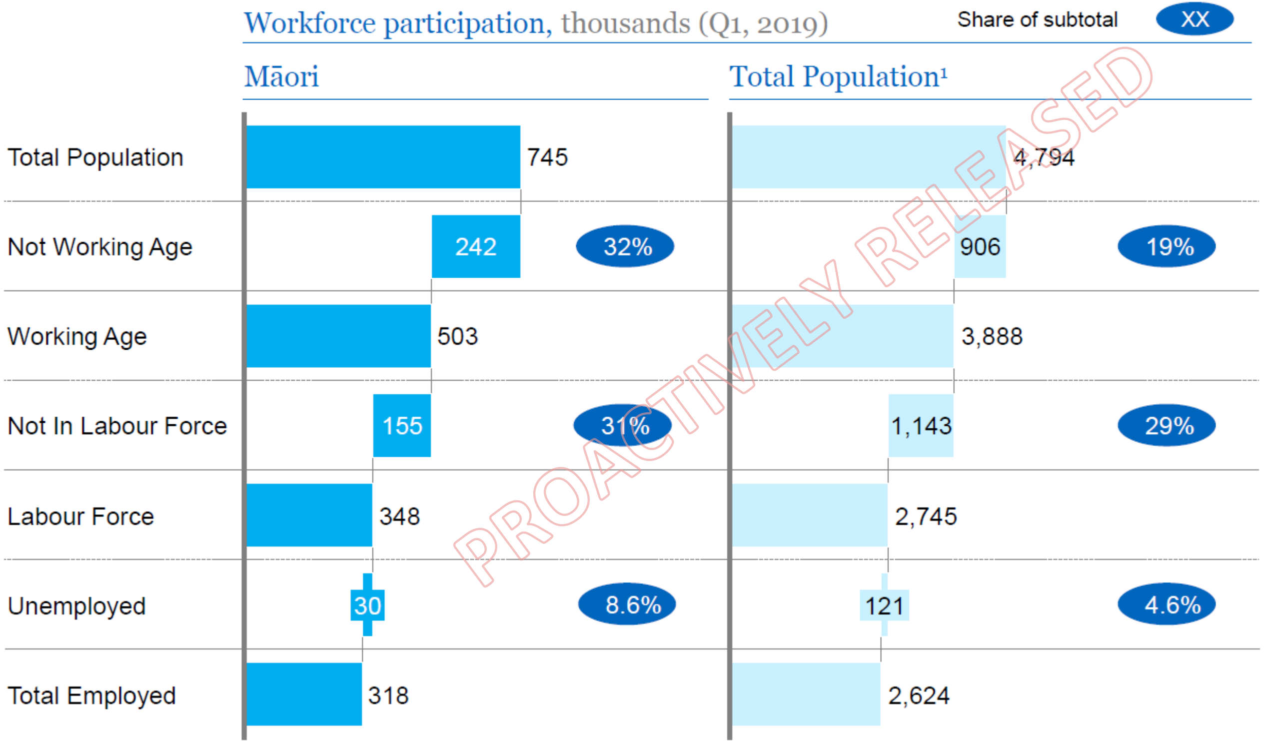
Projection of working age population (15+ years), thousands






1 Ministry of Health, https://www.health.govt.nz/our-work/populations/maori-health/tatau-kahukura-maori-health-statistics/tatauranga-taupori-demographics/age-structure
2 Household Labour Force Survey, Q1 2019
3 Statistics NZ National ethnic population projections, by age and sex, 2013(base)-2038; 2030 value derived from 2028 and 2033 values
SOURCE: Statistics NZ Household Labour Force Survey, National population projections

# The Māori population has a different workforce participation profile to the overall New Zealand population






- Māori are younger than the average population, resulting in a **larger proportion of non-working age individuals**
- Māori have a **higher share of working age population not in the labour force**
- Māori have **higher unemployment rates** than the overall population

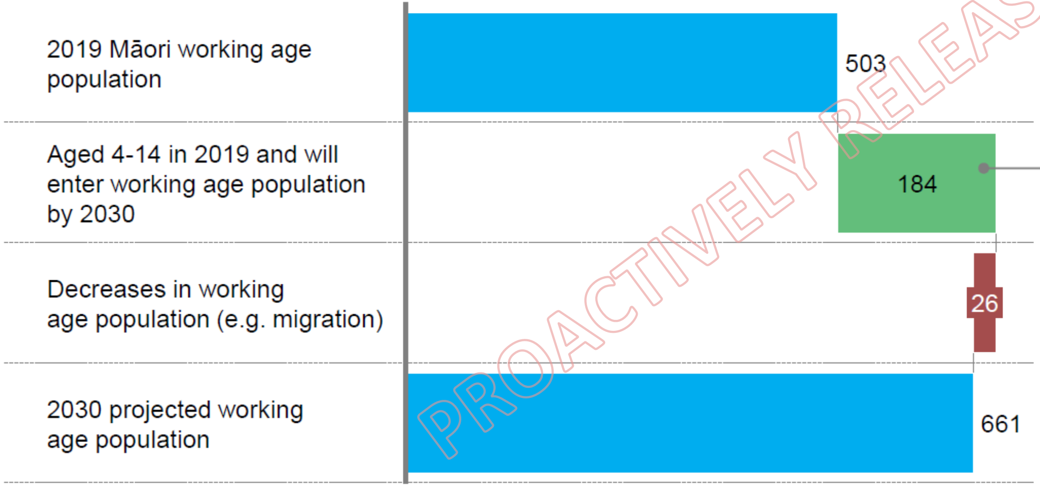
1 Includes Māori

SOURCE: Statistics NZ Household Labour Force Survey, Q1 2019

# Of the projected Māori working age population in 2030, approximately 28% are under 15 today and can be prepared for the future of work

## Projected change in Māori working age population (15 years+)

Thousands

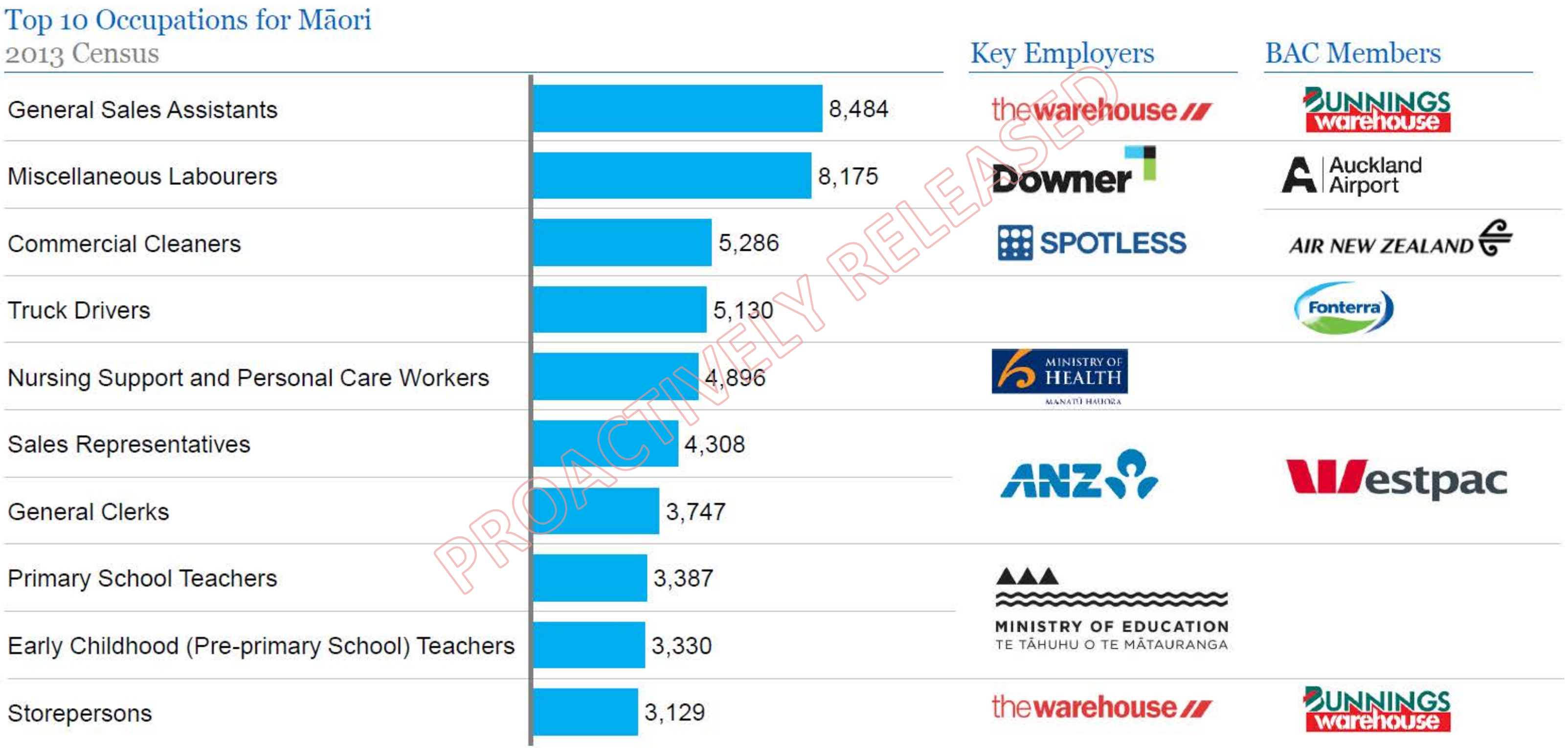



- A estimated **28%** of Māori who will be working age in 2030 are **not yet 15 years old**
- An estimated **23%** (150,000+ children) have **not yet started secondary school**, creating an opportunity to skill for future facing industries



SOURCE: Statistics NZ, National ethnic population projections, by age and sex, 2013(base)-2038; 2019 value interpolated from 2018 and 2023 values, 2030 value interpolated from 2028 and 2033 values

# Top 10 occupations for Māori are well-represented by BAC members






SOURCE: Statistics NZ

# Key messages

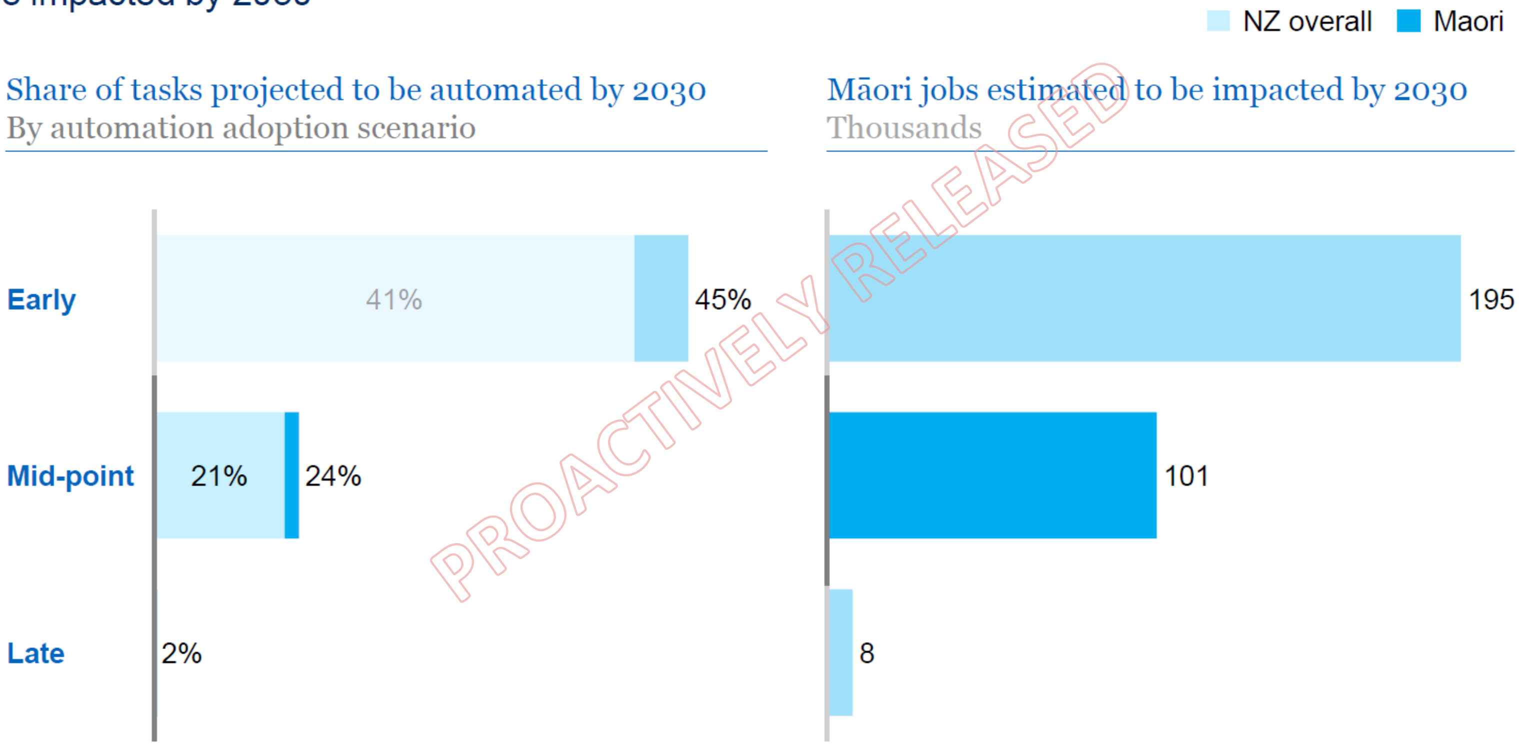
1 In our midpoint modelled scenario, **24%** of tasks currently done by Māori versus 21% for NZ as a whole, are estimated to be replaced by automation by 2030, potentially displacing ~**100,000** workers

2 At the same time ~**90,000 – ~110,000 new Māori jobs** will also be created due to economic growth, automation and technology

3 There will be an **95%** increase in demand for technological skills and **43%** increase for social & emotional skills

SOURCE: McKinsey Global Institute

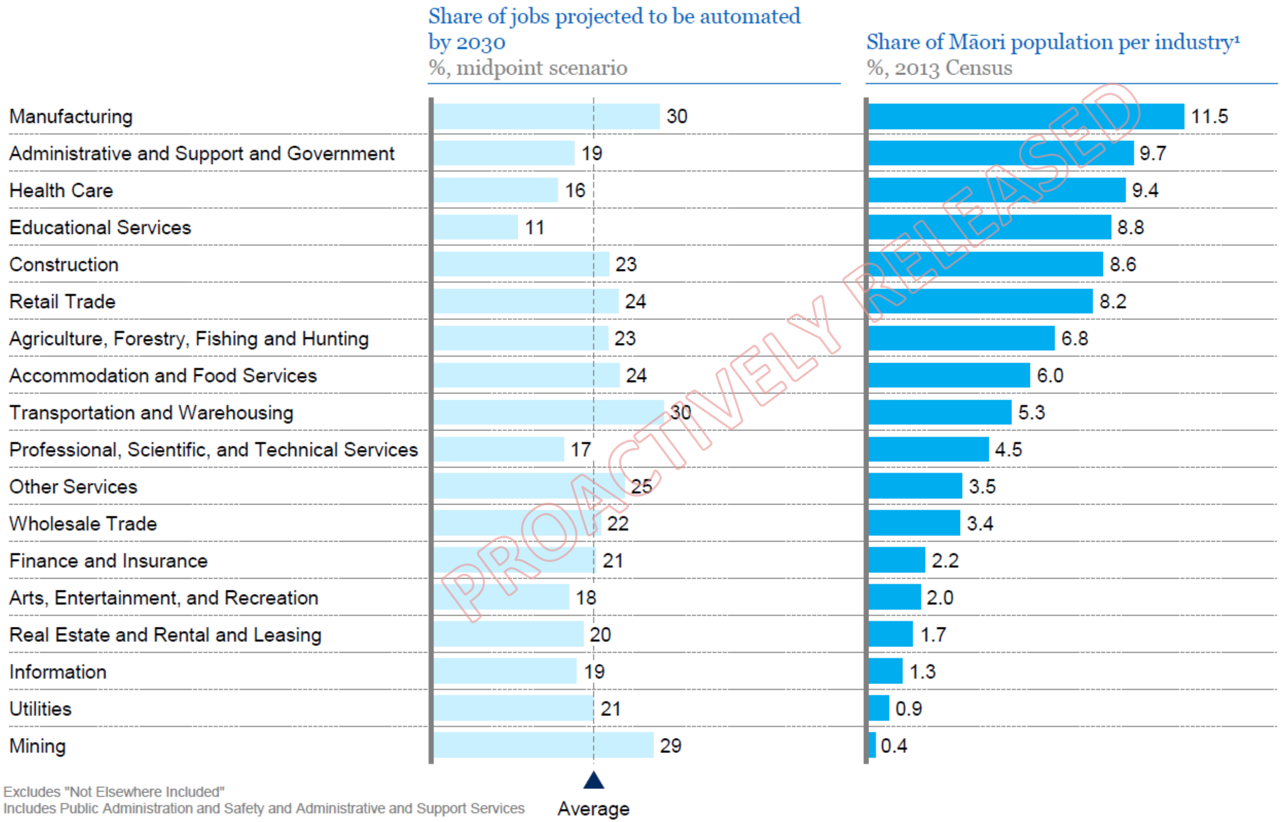
# For the Māori workforce, our midpoint scenario estimates that 24% of work and ~100,000 jobs could be impacted by 2030




1 Includes Māori

SOURCE: McKinsey Global Institute (MGI)

# Māori are not over-represented in high-automation industries




- Māori are overrepresented in high-automation industries **manufacturing, transportation** and **warehousing**
- However Māori are also strongly represented in **education** and **healthcare**, where automation will not be felt as strongly



1 Excludes "Not Elsewhere Included"
2 Includes Public Administration and Safety and Administrative and Support Services

SOURCE: MGI, Statistics NZ

## Annex Four: KiwiSaver for 2030 paper and talking points

*Talking points*

- It is important that KiwiSaver works for all New Zealanders.
- Making KiwiSaver compulsory would be a significant change to KiwiSaver, which was designed to give people the freedom to make choices about what is best for them in regards to their retirement savings.
- Some low-income people, including beneficiaries, are already better off after they retire than before, because New Zealand Super is higher than their income before retirement. Making KiwiSaver compulsory would increase hardship for those people before retirement, because they would likely have to reduce spending on essential items.
- Business owners may be making a rational choice not to save into KiwiSaver but to invest in their business.
- We are keen to hear from the BAC about ways that we can get more people into KiwiSaver, short of making it compulsory.

PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

# Kiwisaver for 2030

| | |
|---|---|
| TO: | Rt Hon Jacinda Arden, Prime Minister |
| DATE: | 28 November 2019 |
| MEETING DATE: | 6 December 2019 |
| SUBJECT: | Kiwisaver – driving active membership and contribution |



## 1 Opportunity

As a country, we should be seeking to ensure that all Kiwis are able to achieve the financial security necessary to maintain their lifestyle through retirement. The Prime Minister's Business Advisory Council (PMBAC) believes there is an opportunity to enhance the Kiwisaver framework via a staged transition to **a compulsory savings scheme** with the objective of achieving minimum annual contributions of **10-15% of personal income by 2030**.

## 2 Problem statement

New Zealand has a relatively simple and effective retirement framework based around New Zealand Superannuation (NZS), the New Zealand Superannuation Fund (NZSF) and Kiwisaver. As the population ages and life expectancies increase, the pressure on NZS and social services will also increase. This will lead to funding choices and the likely need for greater self-reliance.

Kiwisaver currently has ~2.9m members, with membership having doubled since 2010. Kiwisaver accounts had $57b funds under management in 2019 with estimates that it may be nominally worth $911b in 2050. Nonetheless, it was estimated in 2018 that less than 70% of men and women between the ages of 25-44 have a Kiwisaver scheme. Furthermore, of the 2.9m members, only 1.7m are contributing and those earning less than $60k p.a. are the slowest growing membership segment. Lastly, the average Kiwisaver balance is less than $20,000 notwithstanding Kiwisaver has been in existence since 2007.

On a related point we also note, under the current framework, that "compulsory" employers' and Government contributions are only required (or even possible!) when the individual is making contributions and are effectively lost (from the individual's perspective) if the individual is unwilling or unable to make contributions at any point.

Our view is that Kiwis' savings habits, as indicated by current Kiwisaver contributions, will not be enough to meet future challenges. Furthermore, the incentives that have partially driven Kiwisaver to date are weighted towards those with higher earnings – arguably less in need of incentives when the short-term constraints on saving are considered on an individual basis and of less concern when viewed through the collective lens of New Zealand's future retirement framework.

Our view is the New Zealand retirement framework should ensure every Kiwi has a retirement plan in place with regular contributions being made, and any incentives should be targeted to those where saving is a greater challenge in the short term.

## 3 High level proposal

We are proposing a 10-year transition to a compulsory savings scheme with the following key steps:

1. Compulsory Kiwisaver enrolment for all employees and self-employed with removal of the option to opt out without an alternative (compulsory) scheme (effective CY2021);
2. Minimum employer contribution of 3% to be required from CY2021 irrespective of level of individual contribution,
3. Minimum employer contribution to be increased annually at time of pay review targeting 5-7.5% by end of CY2029 (refer tables below);
4. Minimum individual contribution to be 1.0% in CY2020 (introduced at time of annual pay review, default option to remain at 3% for new joiners), with annual increases targeting 5-7.5% by CY2029 (refer tables).

We also believe the Government should consider whether all beneficiary payments should also be included in the framework and make an equivalent contribution to beneficiaries' Kiwisaver schemes.

Furthermore, to mitigate the impact on employers, a cap on the compulsory employer contribution (from CY2021) could be considered. For example, the compulsory employer contribution could be capped at $14k (equivalent to 5% of a $280k salary), enabling employers to use the contributions that may otherwise have been paid to fund the increases to those on lower incomes, noting that employers still could make additional voluntary contributions. In addition, the Government should also consider eliminating the Employer Contribution Withholding Tax to further support employers in funding this transition.

There is also the option to consider whether it is possible to better enable third parties (i.e. employees, relatives, bequests, etc) to make one-off contributions to individuals' Kiwisaver funds.

**Option 1**

| Year | Min. employee contribution | Min. employer contribution* | Total minimum contribution | Year | Employee contribution | Employer contribution | Total minimum contribution |
|---|---|---|---|---|---|---|---|
| 2020 | | | | 2026 | 3.5% | 3.5% | 7.0% |
| 2021 | 1.0% | 2.0% | 3.0% | 2027 | 4.0% | 4.0% | 8.0% |
| 2022 | 1.5% | 2.5% | 4.0% | 2028 | 4.5% | 4.5% | 9.0% |
| 2023 | 2.5% | 3.0% | 5.5% | 2029 | 5.0% | 5.0% | 10.0% |
| 2025 | 3.0% | 3.0% | 6.0% | 2030 | 5.0% | 5.0% | 10.0% |

* It is envisaged that employers move more quickly to minimum 3% contribution on the basis the contribution is only currently avoided where employees are not making contributions – funding should be available as it could currently be called on by the employee at any time. During the period the minimum employee contribution is increasing to 3%, **employers would continue to match employee contributions to 3%**.

**Option 2**

| Year | Min. employee contribution | Min. employer contribution* | Total minimum contribution | Year | Employee contribution | Employer contribution | Total minimum contribution |
|---|---|---|---|---|---|---|---|
| 2020 | | | | 2026 | 4.5% | 4.5% | 9.0% |
| 2021 | 1.0% | 2.0% | 3.0% | 2027 | 5.5% | 5.5% | 11.0% |
| 2022 | 1.5% | 2.5% | 4.0% | 2028 | 6.5% | 6.5% | 13.0% |
| 2023 | 2.5% | 3.0% | 5.5% | 2029 | 7.5% | 7.5% | 15.0% |
| 2025 | 3.5% | 3.5% | 7.0% | 2030 | 7.5% | 7.5% | 15.0% |

# 4 Benefits

The primary focus of the proposed approach is to increase Kiwis' participation and level of contribution to their retirement plans. With a transition to a compulsory scheme this becomes an inevitability rather than having to rely on on-going delivery of greater financial literacy or incentives that have had a positive but limited impact to date.

Importantly, there is the opportunity to have an immediate impact by ensuring all Kiwis get the benefit of employer contributions with a minimal impact on take-home pay. Given the momentum of compounding interest, failing to address this quickly results in a missed opportunity that cannot be recouped and, we believe, is currently mostly impacting those on lower incomes who are least able to fund a savings plan. Furthermore, with a sensible approach to managing the maximum compulsory contributions, the impact on business can be mitigated to ensure funding is available for where it will have most impact.

We also believe by providing a smooth transition over time to the desired end state, the impact of this change on business costs and take-home pay can be sufficiently mitigated such that these changes can fit in to existing annual salary and wage adjustment cycles. There is no requirement to "shock" the system.

Indirect benefits are also possible over time as individual balances increase:

1. Greater individual engagement as Kiwisaver balances increase with consequent impact on / need for financial literacy;
2. Increasing diversification in individuals' investment, away from the heavy reliance on the family home / property; and
3. Positive impact on New Zealand's capital markets and banking system independence as Kiwisaver funds under management increase (as seen in jurisdictions with compulsory savings such as Singapore and Australia).

# 5 Other considerations

We are aware there are other issues in relation to Kiwisaver that are currently being debated, namely: Kiwisaver value and fees; "default" Kiwisaver funds vs active choice of fund; Kiwisaver for self-employed and contractors; the need for financial literacy; and decumulation of savings on individuals' retirement. We have not attempted to address these issues but see our proposal as being compatible with the related available options.

Furthermore, individual savings funded through regular contributions can also provide greater freedom and optionality to individuals throughout their working lives. In the same way that Kiwisaver can currently be accessed for the first home, it could be considered if the Kiwisaver infrastructure / processes could be utilised to encourage saving for other significant life events including further education, etc, while ensuring retirement savings are preserved.

# 6 Summary

The introduction of Kiwisaver in 2007 has had a positive impact but it requires further enhancement if the country is to adequately prepare for our future. We believe it is in all Kiwis' interests to establish a national long-term savings goal now – both on an individual and country level – and enable all Kiwis to achieve an appropriate level of financial certainty in retirement. This requires a commitment to move Kiwisaver to a compulsory savings scheme.

We acknowledge that the transition to a compulsory savings scheme will impact business costs and take-home pay. We have sought to mitigate this through a staged transition and believe the benefits to New Zealand represent a better outcome than continuing to 'kick the can down the road'.

Improving financial literacy of Kiwis will be a critical delivery alongside a transition to a compulsory savings so the importance of starting savings as soon as possible is understood, and Kiwis engage on the financial decisions that they need to make.

## Annex Five: KiwiSaver background paper (from Government)

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# Background note: Changes to KiwiSaver

1. This note summarises some pros and cons to changes to KiwiSaver suggested by the Prime Ministers Business Advisory Council.

2. Some of these options were considered in the recently-released *Growing New Zealand's Capital Markets 2029* report.

## Capping the employer contribution at a certain salary level, to be redistributed to lower-paid employees

3. This option could include either a sliding scale for employer contribution rates in which employer contributions are higher for lower-income earners and lower for higher-income earners. Alternatively, the employer contributions for higher-income earners would be pooled in some way, to be redistributed to lower-income earners.

| Pros | Cons |
|---|---|
| • Could result in higher retirement incomes for lower-income people. | • If a sliding scale was used, there may be increased costs for employers of low-income employees, especially small businesses.<br>• If employer contributions for higher-income earners were pooled and redistributed, there could be equity concerns and/or the perception that the government is introducing a new tax. |

## Increasing the default contribution rate

4. The objective of this would be to raise savings rates. Treasury has previously considered an option to increase the default contribution rate and/or employer contribution rate from 3% to 4%.

| Pros | Cons |
|---|---|
| • Could result in higher retirement incomes for KiwiSaver members.<br>• In relation to increasing the individual contribution rate, could help some KiwiSaver members reach the threshold to qualify for the Government contribution. | • Would decrease the affordability of KiwiSaver for many households. This would likely decrease the number of people who contribute to KiwiSaver and increase the number of people opting for savings suspensions.<br>• May result in KiwiSaver members substituting away from other savings.<br>• Low-income individuals and middle-income individuals with a mortgage may be the least able to afford a decrease in take-home pay resulting from the higher contribution rate.<br>• Increasing the employer contribution rate would increase costs to employers and businesses. |

### Loosening withdrawal circumstances

5. This would involve gradual loosening of the circumstances under which employees could withdraw their retirement savings (for example, medical events or unemployment).

6. The current withdrawal conditions for KiwiSaver include significant financial hardship and serious illness, injury or disability. Members can also withdraw their funds to buy a first home.

| Pros | Cons |
| --- | --- |
| • Gives members more flexibility in accessing their KiwiSaver for emergencies.<br>• Could help prevent members from experiencing substantial hardship. | • Could limit KiwiSaver's original function as a retirement savings vehicle.<br>• Could result in KiwiSaver members not having sufficient retirement income. |

### Making KiwiSaver compulsory

7. This option would see KiwiSaver made compulsory, including for beneficiaries.

| Pros | Cons |
| --- | --- |
| • Could increase people's financial independence at retirement.<br>• Would result in more funds under management, increasing investment in New Zealand markets. | • Would likely require some low-income households (who do not currently contribute to KiwiSaver) to reduce spending on essential items to compensate for their KiwiSaver contributions. This might result in increased hardship.<br>• Would have financial implications for the Crown through Government contributions.<br>• May not increase the wellbeing of lowest-income individuals as any supplementary assistance they received in retirement (eg accommodation supplement) would be means-tested against their KiwiSaver assets.<br>• Would represent a significant change for the retirement income system as a whole as well as a material divergence from the original design of KiwiSaver. |

### Automated increases to contribution rates

8. The Treasury has previously considered automatic increases to the KiwiSaver contribution rate. This would involve an individual pre-committing to incremental increases of 0.5% or 1% in their KiwiSaver contribution rate in the future up to a pre-set maximum which aligned with one of the existing contribution rates (3%, 4%, 6%, 8% or 10%). The timing of the increase could be annual, or aligned with pay rises.

9. A stepped contribution rate starting at 1% at the time of joining and gradually increasing was recommended in the Capital Markets 2029 report.

| Pros | Cons |
|---|---|
| • Could increase contributions to KiwiSaver over time by relying on behavioural inertia.<br>• An opt-in model would give individuals some control and awareness of the increase, and could mitigate some risks. | • May be of limited benefit to low-income earners, as they are less likely to be in a financial position to choose to increase their contribution rate periodically.<br>• Risk that some individuals may be worse off if the automated increases make them more likely to apply for a hardship withdrawal, of if they have to borrow more to offset the increased contribution to KiwiSaver. |

**Reintroducing the $1000 Government kick-start**

10. There has been some discussion in the media regarding reintroducing the $1000 kick-start payment for KiwiSaver. A variation on the option would be to restrict the payment to KiwiSaver members who make an active choice about their KiwiSaver fund. This was recommended in the Capital Markets 2029 report.

| Pros | Cons |
|---|---|
| • May have a small positive impact on the retirement income adequacy of low-income individuals.<br>• For the variation, could incentivise members to make an active choice about their KiwiSaver fund. | • Would have financial implications on the Crown.<br>• The Treasury previously found that the kick-start did not incentivise additional savings.<br>• For the variation, may not incentivise thoughtful choices. |

## Annex Six: Healthy homes for 2030 paper and talking points

*Talking points*

- The energy efficiency of many New Zealand homes and buildings is indeed very poor and this has negative consequences for health and energy consumption.
- Energy ratings are one possible policy instrument that is worth investigating again along with other possible policy interventions. Energy ratings by themselves are unlikely be a silver bullet to fix the problem of poor home energy efficiency.
- In New Zealand, a government-administered Home Energy Rating Scheme operated from 2007 to about 2011 or 2012. It operated on a voluntary basis, with the intention for it to become mandatory.
  - The scheme was discontinued after political support for a mandatory scheme waned and the New Zealand Green Building Council launched its home sustainability rating tool.
- The New Zealand Green Building Council operates two voluntary schemes for homes: Homefit for existing homes and Homestar for new and higher-performing existing homes.
- The cost of rating a home can be a barrier, especially since most homes are unique so the cost of producing a rating cannot be shared across many identical products (as is the case for appliances where the cost of rating a particular model is typically shared over thousands of identical products being sold).
- Home energy ratings have a risk of amplifying housing inequality if lower socio-economic households cannot afford to live in healthier, more efficient homes due to higher-rated homes attracting higher rents or prices.
  - This risk can be addressed through complementary interventions, such as funding for home retrofitting (such as Warmer Kiwi Homes programme) or minimum standards (such as Healthy Homes Standards for rental homes).
- MBIE's Building System Performance branch is starting a Building for Climate Change programme that aims to support government objectives of climate change mitigation and adaption for buildings. The programme has three areas of focus:
  - Reduce greenhouse gas emissions from energy use in buildings (mitigation)
  - Minimise the carbon impact of building materials (mitigation)
  - Enable buildings to adapt to climate change (adaptation).

PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

# Healthy Homes for 2030

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| TO: | Rt Hon Jacinda Arden, Prime Minister |
| DATE: | 28 November 2019 |
| MEETING DATE: | 6 December 2019 |
| SUBJECT: | Healthy Homes – addressing energy performance in New Zealand's homes and buildings |



## 1 Opportunity

The Prime Minister's Business Advisory Council (PMBAC) believes all Kiwis should live and work in a healthy home or work environment. We believe there is an opportunity to add momentum to the transformation of New Zealand's existing building stock through the implementation of an Energy Performance Certificate (EPC) ratings scheme targeting the energy efficiency of buildings in New Zealand.

## 2 Problem statement

The poor state of New Zealand's housing stock is well documented. A decade ago it was identified that nearly two thirds of homes (65%) were built before insulation was required and "more than 1 in 4 New Zealanders say the home they live in has contributed to their sickness"[1]. In 2019 it was found that "about 200,000 families live in rental homes that do not have ceiling or underfloor insulation"[2].

Poorly performing homes typically result in higher electricity costs (for space heating) and have been linked to increased incidence of respiratory illness with flow on impacts to public health costs. Space heating requirements also vary seasonally whereas incomes do not, potentially further exacerbating the issue for the most vulnerable Kiwis. The Government's Winter Energy Payment, commitment to remove the Low Fixed Charge Tariff regime (which exacerbates seasonal impacts and is regressive towards well-occupied tenanted poor-quality housing), and various insulation schemes help with this. Nonetheless, the knowledge and transparency of the energy efficiency of houses at the time they are sold or tenanted is virtually non-existent. The country has an effective appliance energy rating scheme, though arguably the largest appliance is the dwelling itself.

We believe the primary barriers that prevent individuals and businesses taking up energy efficiency solutions are:

- lack of information such that Kiwis are often unaware of the benefits of the available measures and how to realise them; and
- access to capital in that some Kiwis may struggle to meet the initial costs of energy efficiency measures even though they are cost effective over time and / or the available incentives for building improvements are not able to be accessed by those that would receive the benefit (i.e. landlords v tenants in the rental market).

Our view is there is an opportunity for Kiwis to better understand how we can improve the places we live and work and for New Zealand to continue to improve its housing stock. This would have the resulting benefits of lowering household energy costs and improving the health of Kiwis, which then flows to other Wellbeing measures.

## 3 High level proposal

We are proposing implementation of an Energy Performance Certificate ratings scheme for application to New Zealand's residential buildings. It is envisaged the EPC scheme would benefit from the experience New Zealand has with Energy 'Star' Rating Labels, as well as the UK experience of its own EPC scheme that has been in place and developed since 2007, namely:

- EPC certification is required at time of sale, letting or building completion of domestic houses and dwellings, with the UK using ratings between A (very efficient) -G (efficient);
- Certification must be carried out by an appropriately qualified professional with support of standardised tools;
- The EPC would include guidance as to ways to improve the rating cost effectively, with details of relevant incentive schemes that may (already) be available (e.g. EECA Warmer Kiwi Homes);
- The EPC scheme, with a modified ratings system, could also be applied to business and commercial buildings (above a minimum size) that have fixed services that condition the environment (e.g. air conditioning, cooling, etc); and
- Exceptions to the EPC requirements can be made for historic buildings, etc.

A sample of a UK EPC is attached for information.

[1] NZ Business Council for Sustainable Development 2008, *Better performing homes for New Zealanders: Making it Happen*
[2] Housing Minister Phil Twyford, February 2019

# 4 Benefits

On an individual level, Kiwis have already enjoyed the benefits of a standardised energy ratings scheme that has applied to household appliances since 2002. A simple, visual and trusted ratings system enables consumers to better understand the longer-term implications of their choices. This simple rationale applies at least equally to the significant decision of buying or renting a home. With an effective EPC scheme in place, we can envisage a future where Kiwis will actively seek better ratings – not just to benefit from lower monthly energy costs, but to attract a better sale price or tenant, further driving improvement in the housing stock.

Furthermore, the application of subsidies such as the existing insulation and home heating schemes, should be considered within the scheme. The ability to sign-post where financial support may be available further encourages cost-effective investment into energy efficiency. Our understanding is that generating further demand for the available energy efficiency schemes would be welcomed by EECA and the certification scheme would provide a ready channel for any similar future schemes (e.g. LED lighting).

As referenced above, a poor performing home can impact Wellbeing and drive poor health outcomes with the flow on need for access to public health services. Taking a country perspective, we would anticipate an indirect benefit of this scheme would include a reduction in healthcare system costs, reduced absence from the workplace or education system and positive impact on individual Wellbeing.

In addition, we have an abundance of commercial renewable electricity generation and development potential in New Zealand. However, "negawatts" are often the most commercial investment compared with investment in developing new capacity for generating additional megawatts. By lowering consumption, the proposed scheme will avoid the costly production and / or unnecessary investment in additional energy generation / supply.

Relatedly, and possibly most significantly when considering such a scheme from a country perspective, it has significant potential from a data analysis perspective and potential to influence policy setting and resource allocation. For example, with accurate data on the location, quality and mix of housing, it may be possible to improve planning and allocation of resources in anticipation of the likely flow-on impacts to social services. The potential of such data could be significant.

# 5 Other considerations

We acknowledge the costs of implementing an EPC scheme will need to be considered, in addition to ensuring enough qualified professionals are available as this is phased in, noting it applies only at specific times (sale/letting). Nonetheless, our assumption is that the costs of certification would be borne by the home owner and would be relatively immaterial in the context of the sale or rental of a property.

# 6 Summary

The poor state of New Zealand's housing stock currently drives much of the energy consumption in the home and results in unnecessarily high energy (electricity/gas/LPG/biomass) costs for households. To encourage investment into energy efficiency measures in New Zealand's buildings, Kiwis need to be given information that is accessible and actionable.

The introduction of the Energy Star Ratings has had a positive impact on New Zealand, being standardised and relatively simple to understand, and now influencing Kiwi's purchasing decisions.

We propose a similar scheme can be implemented for buildings and made a requirement at the point in time that Kiwis make one of their most significant investment decisions – providing a summary as to the likely future energy costs as well as identifying what cost-effective improvements can be made and where financial support is available, in many instances through existing schemes. The introduction of such a scheme should be viewed as a first, simple step towards improving housing quality across the country – once established, the data generated may allow development of more effective policies to drive positive change.

# Appendix **A**: Energy Performance Certificate – UK example

## Energy Performance Certificate (EPC)



**17 Any Street, District, Any Town, B5 5XX**

| | | | |
|---|---|---|---|
| **Dwelling type:** | Detached house | **Reference number:** | 0919-9628-8430-2785-5996 |
| **Date of assessment:** | 15 August 2011 | **Type of assessment:** | RdSAP, existing dwelling |
| **Date of certificate:** | 13 March 2012 | **Total floor area:** | 165 m² |

### Use this document to:

- Compare current ratings of properties to see which properties are more energy efficient
- Find out how you can save energy and money by installing improvement measures

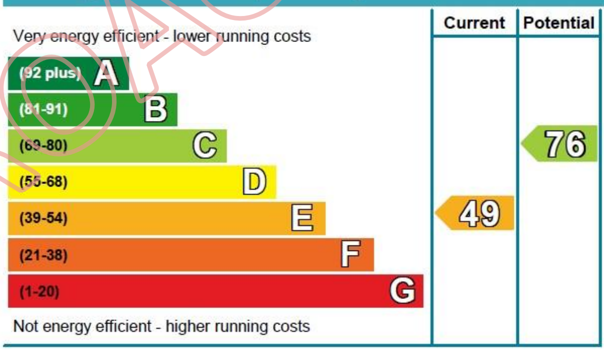
| | |
|---|---|
| **Estimated energy costs of dwelling for 3 years** | **£5,367** |
| **Over 3 years you could save** | **£2,865** |

### Estimated energy costs of this home

| | Current costs | Potential costs | Potential future savings |
|---|---|---|---|
| **Lighting** | £375 over 3 years | £207 over 3 years | You could save £2,865 over 3 years |
| **Heating** | £4,443 over 3 years | £2,073 over 3 years | |
| **Hot water** | £549 over 3 years | £222 over 3 years | |
| **Totals:** | **£5,367** | **£2,502** | |

These figures show how much the average household would spend in this property for heating, lighting and hot water. This excludes energy use for running appliances like TVs, computers and cookers, and any electricity generated by microgeneration.

### Energy Efficiency Rating




The graph shows the current energy efficiency of your home.

The higher the rating the lower your fuel bills are likely to be.

The potential rating shows the effect of undertaking the recommendations on page 3.

The average energy efficiency rating for a dwelling in England and Wales is band D (rating 60).

### Top actions you can take to save money and make your home more efficient

| Recommended measures | Indicative cost | Typical savings over 3 years | Available with Green Deal |
|---|---|---|---|
| 1 Increase loft insulation to 270 mm | £100 - £350 | £141 | ✔ |
| 2 Cavity wall insulation | £500 - £1,500 | £537 | ✔ |
| 3 Draught proofing | £80 - £120 | £78 | ✔ |

See page 3 for a full list of recommendations for this property.

To find out more about the recommended measures and other actions you could take today to save money, visit **www.direct.gov.uk/savingenergy** or call **0300 123 1234** (standard national rate). When the Green Deal launches, it may allow you to make your home warmer and cheaper to run at no up-front cost.

## Annex Seven: Future of work – demand signal paper and talking points

*Talking points - general*

- Collaboration between the public and private sectors is essential to respond to New Zealand's future skills needs. This needs to be underpinned by good information and insights about the current supply and demand for skills and how that is likely to change.
- Agencies across the labour market space have been particularly focused on developing the infrastructure to support this.
- We've progressed well in some areas. For example, the Sector Workforce Engagement Programme is partnering with industry to improve their access to labour, and training and employment pathways locally
- But more work can be done. Government has embarked on a series of reforms to improve our understanding of skills needs and the alignment of our key systems (such as immigration, welfare and education). These include:
    - establishing industry-led Workforce Development Councils (WDCs) and regionally-led Regional Skills Leadership Groups (RSLGs), which will facilitate a co-ordinated approach to future skill needs
    - facilitating the development of Industry Transformation Plans, a joint Government/industry initiative, across key sectors which will include workforce development requirements
    - negotiating and implementing sector agreements (in negotiation now, with the first two expected to be implemented from mid-2020)
    - developing a careers planning tool
    - reviewing how the skills shortages lists get done (work in progress)
    - improving the way that the check works between Ministry of Social Development and employers as to whether they have any job seekers who are suitable, trainable and available for roles that employers are seeking migrants for (noting these are required for jobs that are paying under the median income).

*Reform of Vocational Education*

- The Reform of Vocational Education will give industry and regions greater influence, particularly through the creation of WDCs and RSLGs.
    - WDC's will be industry-led. A key part of their role will to understand challenges facing an industry working closely with education providers to meet those challenges.
    - RSLG's will identify the skills needs of regional communities and will publish regional workforce plans which help advise the TEC and Immigration New Zealand on the skills needs for that region.
- The new New Zealand Institute of Skills and Technology will ensure that vocational education and training is national in nature where it needs to be, and regionally tailored where it needs to be.

*Immigration Settings*

- Changes are also being made to Employer-Assisted temporary work visas to improve the alignment of the immigration, education and welfare systems primarily and to ensure the immigration system is facilitative where there is genuine need, but encourages growth of the domestic labour force otherwise. These include RSLGs (as noted) and also:
    - developing sector agreements (in negotiation now, with the first two expected to be implemented from mid-2020)
    - improving the way that the labour market testing works
    - reviewing how the skills shortages lists get done so that immigration and welfare are more aligned.

*Proposed forecasting tool*

- The BACs proposes a tool for forecasting future skills needs that could provide a valuable input into the work of WDCs, RSLGs, and the new Institute.
- In developing this forecasting tool, it would be important to engage closely with the range of Government activity in this space (including with the WDCs and RSLGs).

PRIME MINISTER'S
BUSINESS ADVISORY COUNCIL

# Future of Work

| | |
|---|---|
| TO: | Rt Hon Jacinda Arden, Prime Minister |
| DATE: | 28 November 2019 |
| MEETING DATE: | 6 December 2019 |
| SUBJECT: | Future of Work – linking demand to supply |

## 1 Opportunity

The Prime Minister's Business Advisory Council (PMBAC) believes the planning, education, and training of tomorrow's workforce is a shared responsibility of the public and private sector. We believe there is an opportunity for New Zealand's businesses to provide timely insight into their expected medium- and long-term workforce needs, and then have this input available to shape today's education and training decisions for individuals and Government.

## 2 Problem statement

The most recent Briefing to the Incoming Minister (BIM) for Labour and Skills (December 2017), highlighted the relatively high level of skills of the New Zealand workforce, yet contrasted it with the struggle that businesses have in finding the skills they want. The consequences of not appropriately planning for and addressing the needs of the future workforce – a "skills gap" - are significant. The impact is at an individual level in terms of security and Wellbeing, as well as a national issue when the country does not have the necessary skills to remain competitive and optimise production.

To address a skills gap requires development of a workforce with the skills and attributes in demand. The lead-times on the development of New Zealand's workforce comprise multiple timeframes that span across multiple election cycles: (i) 15+ years if considering children and the primary / secondary / tertiary education system; (ii) 6+ years if focusing on year 11-13 students when key decisions are made regarding subject choices that may lead on to decisions relating to further study and/or vocational training; or (iii) 1 month to multi-years if considering re-training, including micro-credentialing. These timeframes become even longer if the development of appropriate policy / frameworks and delivery of necessary resources is included.

In addition, immigration (with relatively short lead-times) can also be applied to address workforce requirements in the short-term. This includes addressing unanticipated system shocks (e.g. Christchurch rebuild) as well as failures in the planned education / training ecosystem arising from poor planning, delivery and/or poor engagement with the business sector.

We believe the current approach to developing and planning for New Zealand's future workforce is unnecessarily fragmented and, in part, driven by incentives that do not align to the longer-term needs of New Zealand's businesses. More specifically:

> Tertiary education organisations – in-house views of the future are limited with little engagement with business. Any views as to future requirements are not obviously shared with 'upstream' education system or individuals / parents / students, with primary drivers being the funding model, the demand from a relatively uninformed student population and the inertia / bias of the faculty;
> Institutes of Technology and Polytechnics – similarly challenged around long-term planning, business engagement and funding model;
> Industry training organisations – stronger engagement with business than tertiary sector though, again, it is not obvious where medium-term expectations are aggregated, or potential disruption is considered and planned around; and
> Secondary education organisations – there appears to be an apparent drift towards a more skills-focused offering (that could be better delivered in a dual education arrangement) rather than delivery of foundational knowledge. With little obvious information as to what will be sought by business when students enter the workforce, the framework for making subject choices is challenging.

The resulting gaps, as identified in the BIM for Labour and Skills, leads to the need for short-term immigration "fixes" which, if at a higher level than is manageable, has associated economic and social costs.

Lastly, and the focus of our proposal, the business community is also deficient in fulfilling its role as a partner in addressing any gaps given the inability to clearly articulate short-, medium- or long-term needs (other than on a piecemeal basis at best).

We believe the New Zealand business community could provide a clear signal that could inform decisions and choices by individuals, as well as assist policy setters and education / training providers in guiding the 'production' of the future workforce. Further, this could be owned by the business sector, standing outside the political election cycle to better align with the long-term lead-times that underpin the development of the required future workforce.

# 3 High level proposal

We are proposing a multi-period forecast be compiled by New Zealand businesses as to the expected future needs of the New Zealand business sector. Specifically:

> All businesses with more than 25 employees should provide, for aggregation an outlook of expected workforce needs on a 2/5/10 year basis;
> Data collected to include expectations relating to headcount and skills / capabilities / attributes (employed or contracted) they will require;
> Analysis of the future workforce requirements could be provided on a national, regional or sub-regional basis to provide insight that matches the structure of the system / organisations seeking to meet these demands; and
> Collection to be annual, digital and the process "owned" by the private sector (albeit with initial Government encouragement to collectivise) with respect to execution and presentation.

This is not expected to replace complementary professional analysis on the future labour market but provide a complementary input into policy development and resource allocation for education and training.

With respect to execution, we would suggest a smaller-scale pilot, leveraging larger scale organisations that may already have developed workforce forecasts, to demonstrate the concept and enable iteration of data collection, etc. Given the potential to provide regional insight through a pilot, funding could be provided by the Provincial Growth Fund. If successful, the pilot could be scaled with the application of relevant frameworks and assistance of Government where necessary.

# 4 Benefits

Over time, the requirement to consider future workforce needs (and proof that the input has a demonstrable impact on policy settings and delivery) should improve planning and reduce the risk of skills mis-match. On a more detailed level, by providing a channel for views to be collected, aggregated and fed back to businesses, it should create the opportunity to more deeply consider the future and even think differently.

Comparison can be made with complementary (bottom up) professional analysis and research that calls on insight into global trends or market disruptions. Any mismatch will be clear and will provide an opportunity to challenge industry thinking and avoid business' thinking from becoming stale. This may be useful for smaller enterprises with more limited resources to call upon, as well as providing a helpful counterpoint within larger organisations that may suffer from stasis or group think.

This feedback loop could be further extended if the tertiary, secondary and other retraining organisations also undertook a similar process that could be compared and allow future "skills gaps" to be identified, debated and addressed (in advance) as necessary.

Indirectly, the frequency for intervention through immigration and availability of the forecast workforce data will (over time) provide helpful insight into the ability of organisations (from large to small) to collectively forecast their future needs, as well as the ability of education and training organisations to meet such demands when the future needs are relatively well understood.

And lastly, a robust eco-system, where the needs of the future workforce can be demonstrably matched with the plans of those institutions delivering education and training to the workforce, can only enhance confidence within the business community. This will drive investment and growth.

# 5 Other considerations

Immigration settings and their application are an important component in addressing any of New Zealand's skills shortages, and have important implications for communities when considering need for infrastructure and social support. Nonetheless, the process of development of settings, the range of inputs considered, and the effectiveness of lobbying is not transparent notwithstanding the flow-on impacts. Furthermore, it is not clear whether immigration settings (and the underlying drivers) even feed into the near- to medium-term planning of education and training organisations.

# 6 Summary

Despite enjoying a relatively highly skilled workforce, skill gaps still persist in New Zealand with short-term immigration 'fixes' a regular refrain. It is not clear that New Zealand's education and training organisations are focused on delivering on the needs of the country's future workforce or delivering to a coordinated plan across regions and institutions. Similarly, the country's business community is not providing a clear signal as to its expectations to help assist in ensuring that the right skills and attributes are available at the right time.

We believe, there is an opportunity for New Zealand business to play a role in providing a multi-year forecast that collates expectations as to the future skills requirements of New Zealand business. This can be an input where the process and conclusions are owned by New Zealand business and provide a helpful input for business strategists and education / training policy-setters alike.

## Annex Eight: Predator Free 2050 background paper (from Government)

# Departmental Memo

Department of Conservation
*Te Papa Atawhai*

## In Confidence

**DOC - 6082526**

**Date:** 30 September 2019

**To:** Prime Minister

**From:** Department of Conservation

**Subject:** **International Investment in Predator Free 2050**



### Purpose – Te Pūtake

1. Following your meeting with Fraser Whineray, incoming Chair of your Business Advisory Council (BAC) you asked for a briefing on whether Predator Free 2050 (PF2050) could be used as a test case for attracting biodiversity investment from international sources e.g. philanthropy or other international funds.

2. You will be meeting with Fraser again on 10 October and this advice has been prepared to support the discussion.

### Summary – Tuhinga Whakarāpopoto

3. The Department of Conservation (DOC) has experience working with domestic businesses and philanthropists who want to support conservation in New Zealand.

4. In recent years, New Zealand's conservation initiatives have also received considerable interest and direct support from international funders.

5. The contribution from business and philanthropy is growing and becoming an important cornerstone for realising large-scale conservation outcomes.

6. Motivations for 'giving' are many and varied, ranging from purely altruistic through to strongly commercial.

7. DOCs experience of working with business and philanthropy show that Predator Free 2050 (PF2050) is a cause that can attract international interest and funding support.

8. Non-Governmental organisations like NEXT Foundation, The Nature Conservancy (TNC) and the National Parks and Conservation Foundation (NPCF) also have experience linked to attracting international investment for conservation.

9. PF2050 Ltd, a Crown-owned company, is responsible for facilitating co-investment in large landscape predator control and breakthrough science projects.

10. Other considerations linked to third party investment include maintaining alignment with conservation priorities, meeting Treaty partner expectations and securing conservation gains when funding ceases.

## Background and context – Te Horopaki

11. DOC is seeking an all-of-New Zealand approach to restoring and protecting our native flora and fauna, much of which is in serious decline. We are actively supporting landscape-scale restoration opportunities across New Zealand, using an operating model that brings together multiple partners to deliver conservation outcomes at scale.

12. PF2050 is proving to be a strong call-to-action for national and international partners.

13. Examples of landscape scale initiatives involving national and international partnerships include:

    a. **Abel Tasman (Project Janszoon)**: In 2012 New Zealand couple Neal and Annette Plowman committed many millions to reversing ecological decline in the Abel Tasman National Park. The project now involves DOC, NEXT Foundation, Abel Tasman Birdsong Trust, iwi (Ngāti Tama, Ngāti Rārua and Te Ātiawa iwi), local community, scientists, tourism operators and volunteers.

    b. **Taranaki Mounga**: A collaboration between the NEXT Foundation, DOC, eight Taranaki iwi and the Taranaki community. It is also supported by founding sponsors Shell New Zealand, Jasmine Social Investments, TSB Community Trust and Landcare Research. The project is having a significant impact not only on Taranaki and its wildlife, but also for regional tourism, environmental education and the local economy.

    c. **Te Manahuna Aoraki** - a large-scale conservation project focused on restoring the iconic natural landscapes and threatened species of the upper Mackenzie Basin and Aoraki National Park. DOC and a consortium of NZ and international investors led by the NEXT Foundation have committed a $4.5 million to extend protection for threatened species and to test predator and pest control techniques which will be required to take the project to scale. The final phase of this 20-year project is 300,000ha of pest control and restoration requiring $50-60M.

14. Some key points about PF2050:

***Predator Free 2050 represents an opportunity to restore much of New Zealand's wildlife in decline***

15. Predator Free 2050 aims to eradicate mustelids (stoats, ferrets and weasels), rats (Norway, ship and kiore) and possums from all of New Zealand by 2050. These species were chosen because they inflict the worst damage on New Zealand's wildlife of all the introduced predators. This means that by 2050, New Zealand could see native bird and other wildlife numbers at similar levels to a century ago.

16. A strategic framework will guide work towards a predator free New Zealand. A draft Predator Free 2050 Strategy "Towards a Predator Free New Zealand" will be considered by Cabinet in October.

***A Crown owned company has been established to facilitate co-investment domestically***

17. Within New Zealand, a Crown-owned company (PF2050 Ltd) is responsible for facilitating co-investment in large landscape predator control and breakthrough science projects. The company has initiated seven large landscape projects, committing $25.4 million of government funding over the next seven years and leveraging co-funding at a rate of 3.06:1

18. The company is also contributing 1 million per annum into breakthrough science projects.

***We have the ability to make a broader difference beyond New Zealand***

19. Investment in New Zealand's attempt to become predator free has the potential to make a difference beyond our shores. These benefits are not limited to biodiversity – there are benefits to agriculture, biosecurity, climate resilience and public health that have global implications.

20. Managing invasive species in the Pacific is in keeping with the government's Pacific Reset. New Zealand is supporting Pacific island countries and territories to better understand and reduce the impacts of invasive species.

21. DOC, along with Manaaki Whenua – Landcare Research New Zealand Ltd and Victoria University of Wellington's Pacific Biosecurity is partnering with the new "Pacific Regional Invasive Species Management Support Service" ("PRISMSS") to share expertise in invasive species management with the Pacific.

***Other considerations when seeking investment in conservation include:***

22. Ensuring that conservation priorities drive the work.

23. Addressing ongoing sustainability of the work, when external investment ceases.

24. Ensuring the aspirations and expectations of our Treaty Partners are realised.

25. Determining how to position large scale conservation opportunities to investors.

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# Annex Nine: Business Connect background paper (from Government) and talking points

*Talking points – Business Connect*

- I announced $7.1m of funding for the growth of the Business Connect Platform in July 2019. This funding will build on the pilot services to be delivered in late 2019.
- The first Business Connect pilot will go live with its first services. These will be available to businesses as soon as our pilot agencies, Customs and Manawatu District Council, are ready to launch them.
- Both Customs and Manawatu District Council are preparing their internal go-live processes and will start directing businesses to the application forms on Business Connect before Christmas.
- Very soon a small group of importers will be the first customers to benefit from a service on Business Connect. They'll be able to apply for a Deferred Payment Account from Customs.
- New food businesses in the Manawatu will soon be able to register with Manawatu District Council.
- The next phase of growth for Business Connect will be a continued focus on services for small hospitality businesses, where we will add an additional five licences. We expect to have 10 local councils participating on Business Connect by June 2020, as well as the New Zealand Companies Office.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# BRIEFING

## Business Connect – overview

| | | | |
|---|---|---|---|
| **Date:** | 27 September 2019 | **Priority:** | Medium |
| **Security classification:** | In Confidence | **Tracking number:** | 1027 19-20 |

**Action sought**

| | Action sought | Deadline |
|---|---|---|
| Hon Stuart Nash<br>**Minister for Small Business** | **Note** this briefing is to provide the Prime Minister's office with an overview of Business Connect for her meeting with the new Chair of the PM's Business Advisory Council. This forms part of a wider briefing pack that the PMBAC Secretariat at MBIE has been asked to provide by 3 October 2019.<br><br>**Note** this overview of Business Connect, how it delivers to the objectives of the MBIE-led cross-agency Better for Business programme, and its strategic alignment to MBIE's broader suite of small business initiatives; including the intended benefits for both businesses and government.<br><br>**Approve** this Briefing to be provided to the PMBAC Secretariat, subject to any feedback you may have. | 1 October 2019 |

**Contact for telephone discussion (if required)**

| Name | Position | Telephone | | 1st contact |
|---|---|---|---|---|
| Lisa Casagranda | Director, Better for Business | 04 896 5014 | Privacy of natural persons | ✓ |
| Philippa Day | Director, Business Connect | | | |

**The following departments/agencies have been consulted**

**Minister's office to complete:** ☐ Approved ☐ Declined ☐ Noted ☐ Needs change

☐ Seen

☐ See Minister's Notes

☐ Overtaken by Events

☐ Withdrawn

**Comments**

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# BRIEFING

## Business Connect – overview

| | | | |
|---|---|---|---|
| **Date:** | 27 September 2019 | **Priority:** | Medium |
| **Security classification:** | In Confidence | **Tracking number:** | 1027 19-20 |

## Purpose

This briefing supports the Prime Minister's meeting with the incoming Chair of the PM's Business Advisory Council, Fraser Whineray (CEO, Mercury Energy) on 10 October 2019. It provides an overview of the Business Connect initiative, how it delivers to the objectives of the MBIE-led cross-agency Better for Business programme, and its strategic alignment to MBIE's broader suite of small business initiatives, including benefits for businesses and government.

## Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Note** this briefing is to provide the Prime Minister's office with an overview of Business Connect for her meeting with the new Chair of the PM's Business Advisory Council. This forms part of a wider briefing pack that the PMBAC Secretariat at MBIE has been asked to provide by 3 October 2019.

*Noted*

b **Note** this overview of Business Connect, how it delivers to the objectives of the MBIE-led cross-agency Better for Business programme, and its strategic alignment to MBIE's broader suite of small business initiatives; including the intended benefits for both businesses and government.

*Noted*

c **Approve** this Briefing to be provided to the PMBAC Secretariat, subject to any feedback you may have.

*Approve / Not approve*

Lisa Casagranda
**Director, Better for Business**
Strategic Policy and Programmes, MBIE

27/09/2019

Hon Stuart Nash
**Minister for Small Business**

..... / ...... / ......

## Purpose

1. The Prime Minister's office requested that MBIE provide an outline of the Business Connect initiative and its intended benefits for New Zealand businesses. This is one initiative within a broader suite of initiatives focused on supporting and enabling NZ's small businesses. We have provided additional context for Business Connect as a core initiative within the cross-agency Better for Business (B4B) programme, and its relationship with MBIE's additional strategic small business initiatives - specifically business.govt.nz and the New Zealand Business Number (NZBN) and e-Invoicing.

2. This follows your meeting on 6 September 2019 with the incoming Chair of your Business Advisory Council (BAC), Fraser Whineray (CEO, Mercury Energy), where you discussed areas the BAC was interested in. You have a follow-up meeting with the incoming Chair again on 10 October 2019 and this briefing is provided to support that meeting.

## High level overview of Business Connect

3. Business Connect is a cross-agency digital services platform that will allow businesses to access a range of government services, such as licences, permits and registrations, from one place. Its purpose is to reduce time, effort and frustration for businesses, and over time enable true unified public services from across central and local government.

4. Business Connect is designed to address some of the key challenges businesses have when dealing with government, as identified by the long-term, biannual B4B research monitor[1]. The two most significant challenges that businesses experience are limited consistency across services and limited coordination between agencies, which manifests as:

   - Having to repeatedly share the same information with different agencies, and even within the same agency;
   - Needing to navigate government silos and try to make sense of different but related regulations; and
   - Having limited transparency of where they are at within a process, or how long it will take.

5. Business Connect will positively impact five of the ten key painpoints consistently reported by businesses in the B4B research monitor. The ten primary painpoints (in order) are as follows, with an asterisk against the ones that Business Connect will positively impact, in time:

   a. Provide information to me in a way that I can understand
   b. Guide me through your processes and rules so I get it right*
   c. I need to speak to an expert so that I can get it right
   d. Don't make me start from scratch. Surely you have my previous contact history to look at*
   e. If you've got common processes with other councils or agencies then make them the same*
   f. Don't ask me to repeat the same information over and over again *
   g. Can't you coordinate yourselves so that I have one contact point
   h. My business is compliant. There should be preferred customer benefits for me. You should go easy on me if I make a mistake
   i. Tell me where I am in the process and how long it will take so I can plan for it*
   j. Give me someone I can contact if I'm not satisfied with the services I have received

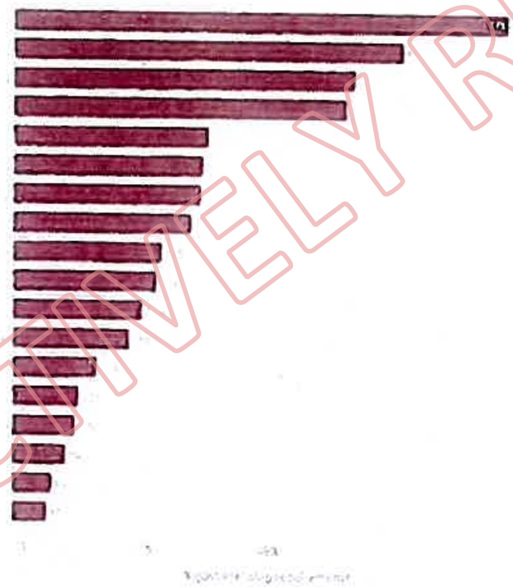
[1] The insights from the B4B research monitor support the findings in the May 2019 SME survey commissioned by Xero on behalf of the PMBAC, and provides a more granular level of detail and longer term trends (since 2013).

6. The B4B research monitor demonstrates unequivocally that improving the consistency of services and coordination between agencies has the highest correlation with overall business satisfaction with government. This is based on research with over 14,000 businesses.

7. The research also highlights which government services are most important to businesses. These are the licences, permits, registrations, authorisations and certifications that are legally required to operate their business (which we collectively refer to as "permissions to operate"). Secondly is building consents.

8. Over 22 percent of all businesses require some sort of licence from local or central government to operate (117,000+ businesses); 14 percent of all businesses need to be registered with a non-government organisation to legally operate (75,000+ businesses); and 4 percent require both (around 21,000+ businesses).

9. The need for licensing by industry:



10. Examples of permissions to operate:

- Using an Accommodation and Food Services example, a café can require 10+ different licences to operate, with a requirement to renew most annually. The average *estimated* time spent on applying for, renewing and managing these permissions is 240 hours per year.
  a. Building consent
  b. Resource consent
  c. Food premises licence
  d. Registration of a food business licence
  e. Food control plan
  f. Indoor + Outdoor alcohol licences
  g. Pavement licence
  h. Trade Waste licence
  i. Special Event licence
  j. Food import licence

- A Transport example is an overweight commercial heavy vehicle travelling 17km from Seaview to Wellington central, which requires four different licences to make the trip – one from Hutt City Council; one from KiwiRail; one from the New Zealand Transport Agency (NZTA); and another from Wellington City Council. The negative impact on business productivity is clear.

**Benefits for Businesses**

11. For businesses, Business Connect seeks to:
    - reduce the administrative cost (ie time and effort) involved for businesses to deal with government, which is estimated at $6.2 billion per year (NZIER)
    - increase business productivity and wellbeing by enabling people to spend more time on their business (or other activities) and less time dealing with government
    - improve the transparency and trust in government services, leading to improved compliance with regulatory requirements.

12. Business Connect will enable businesses to:
    - securely store, manage and update their business data and information in one place, including leveraging the authoritative data government already holds about their business (eg the NZBN and LINZ property data).
    - re-use their business information when applying for different permissions. It puts the business in control of what government agency can have access to what information, which will remove the need to repetitively provide the same information to the multitude of agencies they interact with (on average businesses need to interact with 4.2 agencies per year, which increases in number when businesses employ people[2]).
    - renew and track the status of their permission requests from across local and central government, in one place.

13. Business Connect essentially provides a portal for businesses to complete the forms associated with their various permissions to operate in a more integrated, consistent and coordinated way.

14. Once at a critical mass of services, the total estimated potential benefit to businesses of Business Connect is approximately $300 million per annum. The Government will also realise cost savings benefits as administrative errors are reduced, processing times are sped up, digital service design and delivery is made easier and more accessible, and low-complexity calls to agencies are reduced as businesses have more transparency of where they are in a process.

**Benefits for Government**

15. Business Connect enables true cross-agency collaboration by providing a proven and common platform of shared data, business rules and processes for agencies to design and deliver people-centric digital services. The platform provides a common interface for permission services, and through APIs can integrate into an agency's back-end systems (should they choose to).

16. Through Business Connect, both central and local government agencies can:
    - deliver more integrated digital services to businesses at a lower cost
    - reduce duplication of effort in designing and delivering digital services
    - speed up processing times by reducing manual handling of applications
    - improve data quality and regulatory compliance.

17. In time Business Connect will improve the consistency of services and coordination between agencies, delivering directly to the cross-agency B4B programme objectives of making it easier

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[2] Better for Business Research Monitor

and more seamless for businesses to deal with government (as measured by the B4B Customer Experience Index (CXI)).

## Wider context of Business Connect

18. Business Connect is one of several complementary initiatives that work together to connect services and support for small business in particular, and in doing so seek to transform what it means to be a small business in New Zealand. Together the initiatives are fundamental to lifting the productivity of our small businesses, especially as compliance expectations of businesses continues to increase.

19. The core integrated initiatives include:

- Business.govt.nz, including the Kiwi Business Boost
- Business Connect
- The New Zealand Business Number (NZBN)
- Better for Business


20. Business.govt.nz is government's free resource supporting small businesses in New Zealand. Monthly hundreds of thousands of Kiwi businesses use business.govt.nz resources to better understand their compliance obligations and how to become more productive. Business.govt.nz will play a critical role for Business Connect, providing the common 'front door', tailored guidance, and access to the services that sit within the Business Connect platform.

21. The NZBN is a globally unique identifier for every NZ business, from sole trader through to registered company, as well as all government agencies. It is the key authoritative source for the core business information held by the Companies Office. The NZBN enables businesses to connect and transact digitally, however it is not in itself a platform that delivers digitised services. The NZBN is the core identifier for any business using Business Connect (ie businesses must have an NZBN to use Business Connect).

22. Better for Business is a strategic cross-agency programme focused on making significant improvements to the business experience with government. MBIE-led, B4B has grown to a collective of 10 government agencies that make up 83% of the interactions a business would normally have with government. The vision is "*business gains value from easy and seamless dealings with government*", and together the agencies work on initiatives that unify public services for business. Leveraging digital technologies and innovating approaches to policy design, service design and delivery are key to achieving the programme outcomes.

23. Business Connect is B4B's core strategic initiative designed to help realise the programme vision and objectives, and is overseen by the cross-agency B4B Steering Group.

## Business Connect delivery

24. Business Connect has three distinct phases:

a. **Phase 1: Pilot (September 2018-November 2019)**

The purpose of this phase is to procure a suitable platform for Business Connect, set the right foundations, and design and test some initial services with both businesses and agencies. These include:

- Customs New Zealand: Deferred payment of excise tax licence
- Manawatu District Council / MPI: Registration of a food business licence
- Companies Office: Register a new business, including integration with IR and ACC

This phase has involved an extensive procurement process; establishment of a cross-agency commercial model; development of the base data model; and establishment of the core set of business rules and service design standards. The Pilot will enable us to test the service and user experience design with businesses and participating agencies, and make incremental changes based on feedback.

- The Customs service will be launched in October 2019
- The Manawatu District Council service will be launched in November 2019
- The Companies Office service will be launched in Q1 or Q2 2020, given the more complex integration with IR and ACC.

b. **Phase 2: Integrated Service Delivery (October 2019-June 2021)**

This phase involves growing the number and volume of services on the Business Connect platform to deliver a true integrated services proposition for businesses. On 16 July 2019 the B4B Steering Group agreed that Business Connect would – in the first instance – target permission services within the 'Accommodation and Food Services' sector (generally referred to as Hospitality) for the following reasons:

a. The Hospitality sector has over 22,000 (mostly small) businesses and 164,000 employees.

b. Hospitality businesses are the most likely to deal with both central and local government; with 81% reporting having dealt with local government in the last year. Many of these dealings involve permission, consent or licensing services.

c. Hospitality businesses have a higher rate of employment than the New Zealand average, and regularly employ migrant workers (contributing to higher levels of compliance effort).

c. A focus on this sector leverages and complements the first set of services within the Business Connect Pilot.

d. A focus on this sector aligns with government's economic strategy.

The following hospitality permissions are being targeted, and will be incrementally rolled out to participating local authorities once initially tested with Manawatu District Council and local businesses:

- On Premise Alcohol Licence
- Off Premise Alcohol Licence
- Trade Waste Licences
- Special Event Licence
- Pavement Licence

This phase also involves developing agency capability to configure and publish their services on the platform directly. In parallel, additional services will be prioritised based on learnings from the Hospitality sector.

For Phases 1 and 2 it's important that Business Connect is given the appropriate incubation time to ensure that the proposition drives the intended value to both businesses and participating government agencies in line with B4B objectives. This will be monitored and measured through the B4B Research Monitor and direct business engagement.

c. **Phase 3: BAU Operations: (from July 2021)**

The Business Connect initiative will transition to a business as usual operating model post June 2021, once a critical breadth of services are established on the platform and capability is built across the public sector to design and deliver services onto the platform.

## Annex 1: History of Business Connect

25. Business Connect started as the 'Information Sharing for Business' initiative in 2016, when $1.6m was received from Treasury to test the idea of seamless services leveraging a common digital platform for business to engage with government. The money was invested into research, analysis and a high-level prototype, delivered by the Government Chief Digital Officer (GCDO) on behalf of B4B.

26. The prototype tested the 'platform as a service' concept in a cross-agency context. Based on alcohol licensing from two local councils, it achieved a 30% efficiency gain for businesses applying for a new licence and a 90% efficiency gain for licence renewals. Feedback from both businesses and the local councils was positive.

27. In October 2017 the Information Sharing for Business project was finalised and transferred back to MBIE. The initiative was recognised as a core enabler of integrated services leveraging the NZBN. At this time it was renamed Business Connect.

28. Given the success of the prototype, in February 2018 the 10 B4B agency Chief Executives agreed to fund a high-level business case for Business Connect. Following endorsement of the business case in July 2018, B4B submitted a bid to the Digital Government Partnership Innovation Fund to fund the Pilot for Business Connect. In September 2018 B4B received one year of funding ($2.73m) to deliver an operational Pilot for Business Connect.

29. The Pilot project was rapidly established from September 2018, to deliver the following key outcomes:

    a. Procure and stand up the cross-agency Business Connect platform;

    b. Develop and test the service delivery model;

    c. Establish a cross-agency digital services operating model; and

    d. Integrate with the New Zealand Business Number (NZBN) to deliver three trial services onto the platform. These are food plan licences with MPI and Manawatu District Council; excise deferred payments licences from NZ Customs; and the Register across Government initiative from within the Companies Office.

30. The first Pilot service will be delivered in October 2019 (Customs); the second in November 2019 (MPI/Manawatu District Council); and the third early in Q1 or Q2 2020.

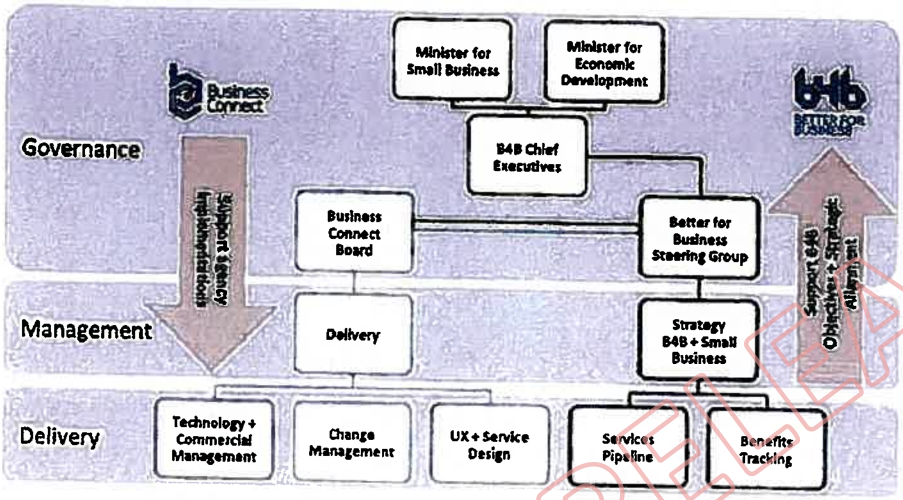
31. In December 2018 B4B and NZBN submitted a bid to Treasury for Budget 2019 to fund Business Connect Phase 2. The budget bid was for two additional years of funding to extend the Pilot, operationalise the cross-agency service delivery model, support the rollout of a critical mass of services, and develop capability within agencies to build and publish their own services on the platform. The bid was sponsored by the Minister for Small Business.

32. In May 2019 B4B received notification that the bid to Budget 2019 was successful, and on 16 July 2019 the Minister for Small Business with the Prime Minister announced the Business Connect funding at Lola Stays Café on Oriental Bay in Wellington.

33. A cross-agency Board has since been established for Business Connect, which is a sub-set of the B4B Steering Group. Currently it comprises senior executives from MBIE, NZTA, Customs, Manawatu District Council and MPI. The Business Connect Board reports to the B4B Steering and Chief Executives' Groups.

34. The B4B Steering Group is responsible for setting the strategic direction for Business Connect in line with B4B programme objectives. This includes agreeing the targeted services pipeline and growth model. The Business Connect Board is responsible for realisation of the strategy, service delivery and guardianship of the business customer experience within Business Connect. This is expressed in the diagram below.

**Business Connect Strategy vs Delivery**




35. The services pipeline and growth model seeks to:

a. Drive value for businesses – saving time, effort and frustration as measured by the B4B CXI.

b. Contribute to B4B programme objectives and outcomes for both business and government.

c. Enable complementary services to be built, contributing to the suite of common, reusable components within the Business Connect platform.

d. Contribute to government's small business and economic development priorities.

## Annex 2: Business Connect Summary A3 Sep 2019

# Business Connect

Businesses get to spend more time on what's important to them and less time dealing with government.

Business Connect is a cross-agency digital services platform, allowing businesses to access a range of government services, such as licences, permits and registrations from one place. It's about reducing time, effort and frustration for businesses, and enabling **true unified public services** from across central and local government.

## UNIFIED PUBLIC SERVICES – BETTER FOR BUSINESS

The 10 Better for Business agencies have a shared vision and commitment to make it easier and more seamless for businesses to deal with government.

We want to make it simpler and faster for businesses to get things done – no matter which agency or local council they are dealing with. We know they want to spend more time on their business and less time dealing with government – ultimately leading to improved living standards for all.

Business Connect is about unifying our public services for businesses. Business Connect will enable businesses to apply for, manage and renew their licences, permits and certifications from one place.

Business Connect is an important step for supporting NZ business in the digital age and helping government and business to work smarter together.

B4B BETTER FOR BUSINESS

## FOR GOVERNMENT

Business Connect provides central and local government with a common platform for delivering coordinated and consistent business services.

It achieves this by establishing common business rules and modules. A module represents an element or section of an application – for example, trading name or postal address – which enables agencies to easily assemble forms and processes.

Powered by the New Zealand Business Number (NZBN), once a business registers for Business Connect their NZBN will pre-populate applications with key business information.

The platform is technology agnostic, meaning agencies can digitise services without the need to integrate into existing systems if they choose not to.

Business Connect will:

- Reduce duplication of effort
- Deliver more integrated services at a lower cost
- Speed up processing times
- Improve data quality and regulatory compliance

## FOR BUSINESS

Business Connect seeks to reduce the administrative cost on businesses to deal with government, estimated at $6.2 billion per year (NZIER).

The Business Connect platform will help streamline the way small businesses interact with central and local government by enabling them to apply for, manage and track licences and permits in one place using Business.govt.nz as the common front door.

Business Connect will enable businesses to securely store and manage the information they regularly provide to government in one place, and provides one place for businesses to apply for licences and permits from across government.

Business Connect addresses a number of business pain-points, as identified by the B4B Research Monitor, including:

- Repeatedly needing to share the same information
- Navigating government silos
- Making sense of different but related regulations
- Having limited transparency of government processes

Business Connect will address some of these by providing a more consistent user experience and letting businesses reuse the information they provide to government starting with their NZBN.

## BUSINESS CONNECT BOARD ROLE

The Business Connect Board, within the wider Better for Business programme, is responsible for owning the strategy, growth and agency adoption of Business Connect. This includes ensuring alignment to the B4B programme outcomes of delivering easier and more seamless services for business.

The Board acknowledges the importance of the user experience and adding services to the platform that ensure value for businesses and government as a whole in the context of unified public services.

### CURRENT STATE

BUSINESSES MUST NAVIGATE AGENCY SILOS & REPEAT THEMSELVES

Businesses — Government

business.govt.nz — NZBN More business, less work — B4B BETTER FOR BUSINESS

Business.govt.nz provides a single front-door to business information, tools and support for across govt. Businesses cannot however transact with government.

To transact with government, businesses have to navigate agency silos and are asked to provide similar information (usually in hard copy).

The NZBN provides authoritative data to support transactions, but doesn't hold the additional information agencies require for licences and permits.

B4B research shows that businesses want govt services to be more integrated; and licenses and permits are the most important services to businesses

### FUTURE STATE

BUSINESSES EXPERIENCE EASY, SEAMLESS GOVERNMENT SERVICES

Businesses — Government

business.govt.nz — Business Connect — NZBN More business, less work — B4B BETTER FOR BUSINESS

Business.govt.nz provides a common front door to business information, tools, support and licence / permit transactions from across government.

Business Connect integrates Business.govt.nz, NZBN and government agency services and allows business to apply for, manage, track and renew licenses / permits form one place.

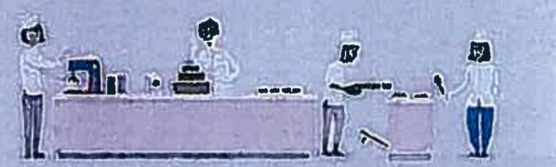
NZBN provides authoritative data that will enable cross-agency interactions between business and government.

Better for Business provides the strategic direction and cross-agency coordinating mechanism for the Business Connect services pipeline, and monitors benefits to business.

### LOLA'S CAFÉ – CASE STUDY

Lola's Café is a Wellington café that requires 7 different licences from multiple government agencies to enable them to operate. Each time they apply for or renew a licence, the same information is usually requested. The processes take a significant amount of time – time they would rather be spending on their business!

Business Connect will give Lola's a more consistent and transparent experience across the multiple agencies they need to provide information to. They will proactively receive notifications when a licence or consent is due for renewal; they can reuse information already provided; they will see where they are in the process; and they will receive approvals directly online. This will be a game changer for Lola's Café.



## THE BUSINESS CONNECT EXPERIENCE

1. **REMINDER** The business receives notification that licence is due for renewal.
2. **LOGIN** The business logs into Business Connect dashboard where business licence info is stored.
3. **RENEW** The business is guided through licence renewal process, including the documents required.
4. **SUBMIT** Application submitted and the business receives confirmation receipt, including next steps.
5. **PROGRESS UPDATES** The business can check progress and receive updates on application status
6. **LICENCE DECISION** The licence is approved or declined with the opportunity to request more information from the business.

# Annex 3: Better for Business Programme Summary A3 Sep 2019

# 2019 WORK PROGRAMME

B4B BETTER FOR BUSINESS

## OUR STORY

Better for Business (B4B) is a strategic, cross-agency programme focussed on making significant improvements to the business experience with government.

Originating in 2012, B4B has grown to a collective of 10 government agencies that make up 83% of the interactions a business would normally have with government. Together we work on initiatives that make our services to businesses more seamless.

Businesses – especially small businesses which represent 97% of all New Zealand businesses – are critical to the foundation of what makes our country a unique and special place to live and work. When businesses thrive, so too do our communities and whānau. We want to enable NZ's 534,033+ businesses and self-employed to be more productive by spending less time dealing with government and more time on their business – ultimately leading to improved living standards for all.

To improve government services, B4B specifically focuses on initiatives that improve the consistency of the service experience and coordination between agencies. Our long-term evidence and insights show that improvements to these two dimensions of the customer experience have the highest overall correlation to business satisfaction with government. Leveraging digital technologies and innovating our approaches to service design and delivery are key to achieving our programme outcomes.

## VISION

Business gains value from easy and seamless dealings with government.

## OUR STRATEGIC WORKSTREAMS

### RESEARCH + INSIGHTS

The B4B Research Monitor, running since 2012, is a biannual survey of 2,000 NZ businesses. The Research Monitor provides a unique system-wide view of the business experience with government, and provides us with insights into the world of government from the business' perspective. This enables us to identify and prioritise opportunities for improvement.

### BUSINESS LIFE EVENTS

The Business Life Events workstream involves identifying the specific events that trigger a business interaction with government, and mapping them to understand the interrelationships between individual agency services. Informed by B4B research insights, Business Life Events helps contextualise opportunities to develop seamless services between agencies.

### REGULATORY PIPELINE

This workstream involves using available information on upcoming regulatory measures to develop a picture of the regulatory pipeline. The objective is to identify what regulatory changes are coming across government and the likely collective impact on business, giving agencies and Ministers the opportunity to consider options for managing the impacts.

### BETTER RULES

A collaboration between multiple NZ government agencies, the 'Better rules – better outcomes' initiative examines the way we develop regulation to ensure it's more easily implemented as part of government's digital services. It's about re-imagining regulation as an open platform based on logic, decision models and rules – also known as 'legislation as code'.

### BUSINESS CONNECT

Business Connect is a cross-agency digital initiative that brings multiple agency services together to make the experience of applying for, managing and renewing 'permissions to operate' (eg licenses, consents, permits, certifications, registrations) more seamless. Integrating the NZBN, Business Connect enables businesses to provide information across all levels of government from one place.

## STRATEGIC LANDSCAPE

### A Unified Public Service

A unified Public Service that acts as single team, with a spirit of service to the community, will lead to more joined-up and better services for all New Zealanders.

"The Public Service would have more capability to wrap multiple services around the needs of citizens... Under the current model individual departments deliver services that they have sole accountability for. This doesn't work as well when agencies need to be working collectively where citizens often must deal with a number of different agencies on a single issue."

HON CHRIS HIPKINS | MINISTER OF STATE SERVICES | SEPTEMBER 2018

### The Wellbeing Framework

"The fundamentals of a wellbeing approach include a whole of government approach – stepping out of our silos and working together... to assess, develop and implement the plans to improve well-being... requiring collaboration, working together and across boundaries.

"We all need to ask ourselves what changes do we need to make, and who do we need to collaborate with, so that a wellbeing approach becomes real, and not just the latest buzz word."

HON GRANT ROBERTSON | MINISTER OF FINANCE | FEBRUARY 2019

### NZ Small Business Strategy

Established to provide strategic advice to Government for the development of the small business sector, the Small Business Council was tasked with developing a small business strategy. The July 2019 strategy seeks to empower small businesses to aspire, succeed and thrive in a landscape that is in a state of constant change. B4B supports two of the four pillars of the strategy, including Understanding small businesses and their needs and shifting the government focus from risk and rules to enabling and easing compliance.

### NZ + Australia Productivity Commission Report

Following the release of the report Growing the digital economy in Australia and New Zealand: Maximising opportunities for SMEs, Ministers agreed support for and investment in respective cross-government service transformation programmes that leverage digital technologies to design customer-centred government services around citizen and business 'life events' and enabling seamless service design.

## B4B AGENCIES

Ministry of Business, Innovation & Employment
Inland Revenue Te Tari Taake
ACC
WORK NEW ZEALAND
Ministry for Primary Industries
Stats NZ
NZ Transport Agency
New Zealand Trade & Enterprise
Callaghan Innovation Aotearoa Innovation Agency

## KEY PARTNERS

within the Better for Business ecosystem

NZBN ^ More business v Less work — New Zealand Business Number

The New Zealand Business number (NZBN) is a unique identifier for every Kiwi business. An NZBN makes it easier to do business because the key authoritative business information held by the Companies Office does not need to be repeated. It also demonstrates you're a real business.

business.govt.nz

Business.govt.nz is government's number one free resource for small businesses in New Zealand. Monthly hundreds of thousands of Kiwi businesses spend over a million minutes using Business.govt.nz resources to better understand their compliance obligations and how to become more productive.

e-INVOICING powered by NZBN

e-Invoicing will improve productivity and reduce the cost of doing business for small and medium sized enterprises and the wider business sector by allowing the direct exchange of invoices between the financial systems of suppliers and buyers.

## Annex Ten: Update on matters of interest to the BAC

### Reform of Vocational Education

*Overview*

The Reform of Vocational Education (RoVE) involves seven key changes to create a unified vocational education system.

The changes include the creation of Workforce Development Councils (WDCs) to extend industry leadership across the vocational education system; the establishment of the NZ Institute of Skills & Technology (NZIST); and transferring support for workplace learning from Industry Training Organisations (ITOs) to providers (including the new NZIST).

The changes aim to create a unified vocational education system that is ready for a fast-changing future of skills, learning and work. It is intended that a single system will be easier for both employers and learners to navigate.

Through these reforms, in particular through the role of WDCs, employers across New Zealand will see graduates coming out of this new unified vocational education system with the skills they need to succeed in their new career.

It is the government's priority to ensure a smooth transition for employers, trainees and apprenticeships. To give time to manage this carefully, we have allowed until the end of 2022 to shift responsibility for workplace learning.

Employers should continue to train apprentices and trainees. Training for apprentices, as well as general industry training, will be an integral component of the new vocational education system, and a key priority.

You can find out more information about the changes, and how to get involved in the reforms, here: https://www.tec.govt.nz/rove/workforce-development-councils/.

*Employer influence within the new system*

Employers will influence the new system primarily through WDCs and Regional Skills Leadership Groups (RSLGs), but also through Centres of Vocational Excellence (CoVEs) and through the relationships they (employers) develop directly with vocational education providers (in particular the NZIST) who will take on responsibility for supporting workplace learning from the current ITOs. In the new system, WDCs will represent employers. They will be industry-led and will undertake a range of functions on behalf of the industries within their scope of coverage. These functions include:

- developing qualifications and setting skills standards that providers must use and ensuring these standards are being met by learners (by moderating 'capstone' assessments),
- directing the Tertiary Education Commission on the type of skills investment needed for their industries,
- skills leadership.

RSLGs (an MBIE initiative) will represent the needs of regional communities, including local employers. They will develop Regional Workforce Plans which will help inform the Tertiary Education Commission's vocational education funding decisions.

CoVEs will be a consortium that includes providers of vocational education (including the NZIST), industry (including but not limited to WDCs), and leading researchers/academics. They will bring together these different groups to drive innovation and excellence within vocational education. There will be two pilot CoVEs focused on the primary and construction sectors.

*Update on WDCs, CoVEs and NZIST [as at 15 Nov]*

WDCs – A paper is being prepared for Minister Hipkins that summarises the themes/findings from a series of nationwide WDC stakeholder engagements that have taken place over the past months and seeks his agreement to the number, coverage, governance, and high-level funding arrangements for WDCs. This paper is expected to go to the Minister in late November, with public announcements on the arrangements for WDCs being made by the end of 2019 or early 2020. A public report is also being prepared that will summarise what the WDC team has heard through its engagements. WDCs will start being established from mid-2020 following the passing of the Education (Vocational Education and Training Reform) Amendment Bill. All WDCs are expected to be up and running by mid-2021.

CoVEs – Workshops have been taking place across the county to shape the design of the two pilot CoVEs in the primary and construction sectors. A range of groups across both construction and primary sectors have expressed interest in creating consortia to apply for the CoVEs funding. The team is working with the Food and Fibre Skills Action Group and the Construction Sector Accord Steering Group, and these groups are actively involved in the workshops. These two pilot CoVEs are expected to be established in early 2020 following an open application process.

### Research, Science and Innovation Strategy

The Government's Draft Research, Science and Innovation (RSI) Strategy aims to communicate the Government's objectives for RSI in New Zealand, highlight priorities for government action in the RSI portfolio, and explain how those actions support the government's overall priorities .

Our vision is "by 2027, New Zealand will be a global innovation hub, a world-class generator of new ideas for a productive, sustainable, and inclusive future".

The RSI system will play a crucial role in achieving the Government's priorities including the transition to a clean, green carbon neutral New Zealand and growing and sharing New Zealand's prosperity

To help achieve the vision, we have set a target of raising total R&D expenditure to 2 percent of GDP by 2027:

- Ratio of R&D reflects how much NZ is investing in knowledge creation vs its production
- NZ currently has R&D/GDP of 1.37%, well below the OECD average (2.34%), Australia (around 2%), US (2.74%), Finland (2.75%), Denmark (2.87%), and Israel (4.25%)

The RSI Strategy focuses on driving innovation at the frontier - introducing products, services, and processes that are new to the world.

The Industry Strategy (and the Industry Transformation Plans) directly addresses innovation behind the frontier: encouraging people and organisations to adopt new ways of doing things that are already known to others

Our assessment (based on available evidence) is that:

- New Zealand's research system is relatively productive (in academic publications), given investment.
- New Zealand is not good at translating research into innovation in either private or public spheres.

We consider that the key, underlying challenge facing the RSI system is building stronger connections within this system and beyond.

The Draft Strategy proposes 3 principles to guide future investment and activity in the RSI System: excellence, connections, and impact:

- <u>Excellence</u> is being the best possible in the situation, whether it is academia, industry, or the public sphere.
- By <u>connections</u>, we mean that enabling smoother, easier flow of people, knowledge, capabilities, funding, and capital within and across our RSI system.
- <u>Impact</u> means making a difference in the economy, society, or the environment, beyond the contribution to knowledge and skills in its original context.

We propose to take action in five main areas:

- Making New Zealand a magnet for talent – a place where talent wants to live.
- Better connecting the research and innovation parts of the RSI system, both domestically and internationally.
- Providing support for start-ups (across the board) and further scale up in areas where New Zealand has an identifiable advantage or a specific need.

- Working towards an extended 'Vision Mātauranga'.
- Building solid foundations for RSI through further investment (where appropriate) and ensuring our institutions (such as the CRIs) and infrastructure are fit for purpose.

While consultation on the Draft Strategy itself is now officially closed, we still welcome input on what the Government's goals should be for the RSI System and how we can best achieve those.

We are planning to launch the final RSI Strategy early in 2020.

## CONFIDENTIAL UNTIL ANNOUNCED: Infrastructure funding and finance

Because high-growth councils are close to their maximum debt to revenue ratios, they are constrained in their ability to fund key infrastructure to support housing developments, particularly road and water infrastructure.

The Government has worked closely with local government to create an alternative financing model that frees infrastructure investment from these financial constraints. The model uses a Special Purpose Vehicle, enabled by legislation, to raise finance for an infrastructure project, contract for its delivery and levy those who benefit from it.

Responsibility for planning and consulting issues, and ownership of the resulting infrastructure remains with the councils or the appropriate government body.

By being able to access private capital, councils will be able to bring forward much-needed infrastructure projects rather than delaying them for years. The model also helps ensure that the costs of new infrastructure fall on those who benefit from it.

A Ministerial announcement is expected before Christmas, and an alternative funding model is expected to be in place for by mid next year (2020).

## Industry transformation plans

The Government is currently developing five industry transformation plans (ITPs):

- Agritech
- Construction
- Food and beverage
- Digital technologies
- Wood processing and forestry.

The agritech and construction ITPs will be released for consultation shortly.

The ITPs for food and beverage and digital technologies will be consulted on in the first half of 2020. The food and beverage ITP will support the vision being developed by the Primary Sector Council.

The wood processing and forestry ITP will be developed over the course of 2020.

Our initial work on ITPs has provided important insights and we will continue to refine our approach to business, social partner and Māori and Pasifika engagements as this work progresses.

## Overseas Investment Act Phase 2 Reform

Government has announced changes to the Overseas Investment Act to protect New Zealanders' interests. These changes include:

- Applying a new national interest test to the sales of sensitive and high risk assets to overseas buyers that are ordinarily screened under the Act.

- Consideration of the positive and negative impact on water quality and sustainability of a water bottling enterprise (if any), when assessing an investment in sensitive land.
- A "call in" power, to apply to the sale of certain strategically important assets, such as firms developing military technology and direct suppliers to New Zealand's defence and security agencies.This will apply to assets not currently screened under the Act and the power would only be used to control those investments that pose a significant risk to our national security or public order.
- Improved enforcement powers. The maximum fixed penalties for not complying will rise from $300,000 to $10 million for corporates.
- Consistent with the Ministerial Directive Letter, the Act will be amended to embed the requirement for overseas investments in farmland to show substantial benefit to New Zealand, by adding something substantially new or creating additional value to the economy to receive consent.
- Setting specific timeframes for decisions, to give investors greater certainty, and exempting a range of low risk transactions, such as some involving companies that are majority owned and controlled by New Zealanders.

A Bill implementing the changes will be introduced in early 2020.

Further information on the changes is at Annex one.

## Annex One: Overseas Investment Act Reform Phase Two: Questions and Answers

This document outlines questions and answers on the changes being made as part of the second phase of reform to the Overseas Investment Act 2005 (the Act).

### Strengthening how the Act manages risk

*How will New Zealand's national interests be protected?*

The Act currently provides the Government with limited ability to block transactions that are contrary to New Zealand's national security or other core national interests. This is the case for transactions ordinarily screened under the Act, as well as transactions in other strategically important assets that are currently not subject to review.

Two new powers are being introduced to ensure New Zealand's national interest can be protected. These will apply to all overseas investors, irrespective of where the investment is from:

*National interest test*

A national interest test, similar to that which underpins Australia's foreign investment screening regime, will serve as a 'backstop' tool to manage significant risks associated with transactions already screened under the Act. It will be used rarely and only where necessary to protect New Zealand's core national interests.

Applying the test means that Ministers can consider the potential risks of a transaction to New Zealand's national interest when deciding whether or not to grant consent. If a transaction is determined to be contrary to the national interest, consent may be declined, or conditions imposed to mitigate any risks.

This test will always apply to investments that warrant greater scrutiny:

- where a foreign government or its associates would hold a 10 per cent or greater interest in the asset,
- investments that are found to present national security risks, and
- investments in certain specified strategically important industries and high-risk critical national infrastructure. That is:
    - significant ports and airports
    - electricity generation and distribution businesses
    - water infrastructure (broadly, drinking water, waste water, storm water networks, and irrigation schemes)
    - telecommunications infrastructure
    - media entities that have an impact on New Zealand's media plurality
    - entities with access to, or control over, dual-use or military technology
    - critical direct suppliers to the New Zealand Defence Force, Government Communications Security Bureau and the New Zealand Security Intelligence Service, and
    - systemically-important financial institutions and market infrastructure (for example, payments systems).

In rare cases, the Government could apply the national interest test to other investments that pose material risks. This would require the agreement of a senior Minister and, if a decision was taken to apply the test, investors would be notified as soon as possible.

*Power to call in transactions involving strategically important assets*

To manage risks associated with transactions in strategically important assets not currently subject to screening, the Government will introduce a new national security and public order call in power.

This will enable transactions involving strategically important industries and high-risk critical national infrastructure that the national interest test will always apply to, with the exclusion of irrigation schemes, and the addition of transactions that grant access to sensitive data (for example, New Zealanders' sensitive personal information), to be called in for screening. Those found to pose risks to national security or public order can then be blocked, have conditions imposed, or where relevant, be required to be unwound.

Because this power will apply to transactions not ordinarily subject to screening, there will be new notification requirements. It will be mandatory to notify the government of transactions involving military or dual-use technology, or critical direct suppliers to defence or security services, and receive clearance prior to the transaction proceeding.

For other transactions in scope of the power, investors can choose to notify the government if they wish. To incentivise notification, the government cannot take action in the future regarding transactions that are notified and are found to not pose any risk (unless the investor provides a notification that is incomplete or inaccurate, or breaches an undertaking or condition of notification).

*What steps is the Government taking to protect farmland?*

Farmland is of significant economic and cultural importance to New Zealand. For this reason, the Ministerial Directive Letter already requires the benefits from overseas investments in rural land to show greater benefit to New Zealand, by adding something substantially new or creating additional value to our economy.

The Government has agreed to embed the current requirements in the Ministerial Directive Letter, as they apply to farm land, into the Act itself. By embedding these requirements, the Government is ensuring that future governments will not be able to change them without Parliament's consent.

*How are the powers of the Overseas Investment Office (OIO) being strengthened so it can more effectively take action against non-compliant investors?*

Stronger enforcement powers will improve the ability of the OIO to take action against investors who do not comply with the Act. Changes include:

- Enabling the OIO to accept enforceable undertakings from investors who have breached the Act. Undertakings would be directly enforceable in court.
- Increasing and splitting fixed civil penalty levels depending on whether an investor is a corporate or individual. The current maximum fixed civil penalty is $300,000. The level for individuals will be increased to a maximum of $500,000. The level for corporates will be increased to a maximum of $10 million.
- Making explicit the power of the OIO to seek injunctive relief – in particular, that urgent orders may be sought from the courts which require an investor to take (or not take) certain steps.

*What changes are being made to ensure Māori cultural values are taken into account?*

Currently, the Act allows decision makers to consider whether applications include adequate mechanisms for protecting or enhancing historic heritage, which includes sites of significance to Māori (such as wāhi tapu). A significant number of stakeholders considered that the Act should do more to recognise Māori cultural values when assessing applications for consent.

As a result, the Act will make it explicit that an investor's plans to protect wāhi tūpuna, wāhi tapu areas and Māori reservations, and support access across land for the purposes of stewardship of historic heritage or a natural resource, can be favourably taken into account when making decisions on consent.

## Simplifying the regime and cutting red tape

*How is the Government making it simpler for productive investments?*

By removing unnecessary red tape we are making it easier to invest by:

- Ensuring the investor test focuses on material risks: investors will be required to provide less information about low level risks
- Simplifying the benefits test
- Imposing timeframes on decision making which will give investors certainty
- Removing screening requirements for transactions that pose little to no risk (for example, leases under ten years and transactions involving companies that are majority owned and controlled by New Zealanders)

*How is the investor test being simplified?*

The investor test must generally be satisfied to purchase sensitive New Zealand assets. It assesses an investor's character and capability to best ensure that their investment will benefit New Zealand.

Currently, the investor test requires investors to provide a large amount of information, which is costly and time-consuming for both investors and the OIO. It also tests investors we are not concerned about (such as New Zealanders, and those who have previously passed the test). At the same time, the test does not directly apply to corporate entities.

The investor test will be simplified to better target material risks that may be posed by investors. This should reduce the amount of information that investors need to provide, without compromising the government's ability to protect New Zealanders.

Key changes include replacing the good character test with factors that decision makers may take into account:

- convictions for offences in which the overseas person has been sentenced to imprisonment for a term of five years or more, or, at any time in the preceding ten years has been convicted of an offence for which they have been sentenced to imprisonment for a term of twelve months or more,
- civil contraventions punished by pecuniary penalties, or enforceable undertakings entered into, within the last 10 years,
- allegations (of the same level of offending or contravention), where formal proceedings have commenced.

Compliance costs will be further reduced in two important ways. New Zealanders will no longer have to satisfy the test at all, and repeat investors will only have to satisfy the test once (unless there has been a significant change in their circumstances).

*Will corporate character be assessed?*

Currently corporate character is considered only where there are offences or contraventions by entities in which an individual investor has a more than 25 per cent ownership or control interest. However, this does not always allow the government to consider the character of the right entities, or to do so in the most straightforward way.

As a result of this review, decision makers will be able to explicitly consider offences and contraventions by, and allegations against, the corporate entity with substantive control over the investment.

*How will the benefits test be simplified?*

The benefit to New Zealand test is a requirement for consent for investments in sensitive land and (in a slightly modified form) fishing quota. It aims to ensure that investments in these assets will benefit New Zealand. However, the test is quite complex and highly theoretical which increases costs for investors and the OIO. Changes to the benefits test include:

- replacing the 21 different factors with fewer, broader factors that encompass the range of benefits that can currently be recognised,

- clarifying that only positive impacts may be considered under each factor (with the exception of extraction of water for water bottling where both the positive and negative impacts of such investments on water quality and sustainability may be considered),
- removing the narrow requirement for benefits in non-urban land over five hectares to be 'substantial and identifiable', and replacing it with a proportionate approach where the benefits to obtain an interest in any land must be proportional to the land's sensitivity and the interest being acquired in it (as noted above, the changes will also embed the current requirement for overseas investments in farm land to demonstrate a substantial point of difference); and
- removing the theoretical nature of the test, by requiring benefits to be measured relative to the current state of the sensitive land and the activity on it.

The benefits test will also make explicit that an investor's plans to protect wāhi tūpuna, wāhi tapu areas and Māori reservations, and support access to land for the purposes of stewardship of historic heritage or a natural resource, can be taken into account when making decisions on consent.

*How will water bottling investments be screened?*

Where an application to acquire sensitive land involves extracting water for water bottling, the changes will enable decision makers to consider both the positive and negative impacts of such investments on water quality and sustainability, as part of the benefits test.

This will provide a new mechanism, in addition to the Resource Management Act 1991, for considering the environmental effects of bulk water extraction.

During public consultation, some submitters suggested making water a new class of sensitive asset subject to screening under the Act. This option has not been adopted as it would raise issues of consistency with New Zealand's international obligations.

The Government is still considering the issue of a royalty on exports of bottled water. This work is progressing separately from Overseas Investment Act reform.

*What are the new timeframes for decision making?*

Decision makers are not currently subject to any statutory timeframes for reviewing applications made under the Act. This is out of step with global best practice. Investor feedback was that the most significant problem with the Act is uncertain and lengthy timeframes to process applications.

As a result of this review, timeframes will be introduced across the Act and tailored to each type of application, reflecting the different levels of complexity that apply to the purchase of different asset types (for example, an investment in a significant business asset will have a different timeframe to investments in sensitive land). Specific timeframes will be determined in coming months and will be set out in regulations.

The OIO will have an initial period for reviewing an application (and determine whether further information is required) before accepting it. It will also be able to extend a timeframe once, either for a prescribed period or an alternate period that is agreed with the applicant.

*What transactions are being removed from the screening requirements?*

There are some cases where screening is unnecessary and the compliance costs are disproportionate to the (minimal) risks being managed. Recognising this, the following types of transactions will no longer be screened:

- Leases and other less than freehold interests over sensitive land of less than 10 years (excluding leases over residential land, where the three year limit will continue to apply)
- Transactions that do not materially impact on the ownership or control of sensitive assets, such as small increases in an existing shareholding, and

- The acquisition of all land listed in Table 2 of Schedule 1 of the Act, with the exception of land adjoining the foreshore, lakebed, conservation land and certain regional parks, and some land significant to Māori.

*How will the Act deal with majority New Zealand owned and controlled companies?*

The Act currently screens a range of fundamentally New Zealand entities, despite these not being the intended targets of the Act. To better focus the Act on transactions that matter, the Government will:

- Remove KiwiSaver funds and listed entities that are majority owned and wholly controlled by New Zealanders from the Act; and
- Allow non-listed entities and managed investment schemes that are majority owned and wholly controlled by New Zealanders, do not have significant foreign government backing, and have a record of compliance with New Zealand's and foreign laws, to apply for an exemption from the Act.

## Annex Eleven: Future of work – demand signal

This paper responds to questions posed by the Chair of the Prime Minister's Business Advisory Council about how the Government assesses the short to long term skill needs of New Zealand employers, and how that assessment influences education and immigration settings.

The responses to these questions reflect current practices. There is a great deal of information about skill needs held by a range of players, and this is used in varying degrees in decision-making.

The reform process we are currently undertaking (particularly the Reform of Vocational Education, or RoVE and the Welfare Overhaul) recognises that more can be done to co-ordinate information, and improve its impact on decision-making. Annex 1 contains an overview of RoVE, with a particular focus on how it can amplify industry voice, and ensure greater co-ordination between employer demand and education supply.

### Responses to questions

*Question One*

*Is there any current and periodic national assessment of the mismatch between what human capital employing organisations require in New Zealand and what the educations system (secondary and tertiary) produces? If so, provide details.*

Government collects a range of data that builds a picture of potential mismatches between the educational attainment of the adult population, and the skills required by business.

Broadly speaking mismatch data is most valuable when collated with industry involvement, and focused on short-term needs. Assessing more general mismatches is difficult. The sources for this data, outlined below, provide indicators of possible mismatches- however the link between skills in the workplace and the education is not straightforward.

*Sources of Mismatch Data*

We have some strong indicators of labour market trends on both the demand and supply sides. But, common with other jurisdictions and international bodies, there is no commonly accepted method for identifying skills shortage.

On the supply-side, we can measure education-occupation mismatch in the Household Labour Force Survey- this is the measure of skills mismatch preferred by the International Labour Organisation, but tends to produce results that are fairly high-level and difficult to apply.[1]

The Survey of Adult Skills (part of the OECD's Programme of the International Assessment of Adult Competencies (PIAAC)) collects information on the kind of skills workers use in their job, along with information on workers' qualifications, field-of-study, and occupation. This can be combined to form proxies for qualification mismatch, over and under skilling, and mismatch by field of study.[2]

On the demand side, we have surveys of employers, which can help indicate where there may be gaps or shortages. The Quarterly Survey of Business Opinion by the New Zealand Institute of Economic Research is an example. There are downsides to employer surveys, in that they can reflect subjective opinions, rather than provide hard evidence of shortages.

Job vacancy data can be a better representation of skills demand. Jobs Online, for example, focuses on reporting changes in job advertising as an indicator of occupation and skills demand.

[1] https://www.stats.govt.nz/experimental/skills-mismatch-in-the-labour-market
[2] https://www.educationcounts.govt.nz/publications/series/survey_of_adult_skills

An increase in advertising over time can indicate where employers have skill shortages by occupation, skill level, industry and region.[3]

*Question Two*

*What is the current mechanism(s) by which tertiary institutions assess what the employment market requires in the short-medium term (1-7 years)? Is there any nationally co-ordinated or surveyed assessment?*

The primary mechanism by which tertiary institutions respond to labour market signals is through their Investment Plans. These ensure that TEIs are responding to learner choices and specific skill priority areas.

*The Investment Plan System*

Around $2.5 billion of government funding is invested in the delivery of tertiary education each year by the Tertiary Education Commission (TEC). This investment is alongside privately-funded education and training, as well as some small investment by other agencies such as the Department of Corrections and the Ministry of Social Development (MSD).

From a TEC perspective, the main mechanism for managing the majority of this investment is through the Investment Plan system. The Plan system places specific expectations and requirements upon tertiary providers, including that they contribute to meeting the needs of learners, employers and community. The TEC assesses all Investment Plans against set criteria and the Plan must be approved to receive funding.

The TEC determines overall investment levels and signals priority areas of investment for providers to respond to where appropriate, including where there may be specific skill priority areas (recent examples include engineering, food and fibres, construction, ICT, and initial teacher education).

A key feature of the Plan system is the autonomy of tertiary education insitutions, which own and are accountable for their Plans.

The system is largely a learner choice/demand driven system based on what they want to study and where, in response to labour market signals, preferences and aspirations. For the bulk of investment, the current system is not a direct purchasing model.

*Question Three*

*If (2) is undertaken, how does this quantitatively influence their course offerings (if at all)?*

Through the Investment Plan system, tertiary providers must respond to engagement with learners, employers and industries. This ensures that their course offerings are relevant to and will meet the labour market needs of these stakeholders.

How individual providers fulfil these obligations varies between organisations. While there are many good examples of providers working with industry or employers and building strong relationships, this is not always the case.

The current work on the Reform of Vocational Education aims to give employers and industries a stronger voice and strengthen labour market signals within the system, and ensure that tertiary education providers are more responsive to skill needs. Annex Four provides more detail on these changes.

*Question Four*

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[3] https://www.mbie.govt.nz/business-and-employment/employment-and-skills/labour-market-reports-data-and-analysis/jobs-online/

*If (1) or (2) is undertaken, to what extent does it influence central Government funding to offer courses to meet anticipated demand?*

Decisions about tertiary education funding are based on the TEC's assessment of how well their Investment Plans respond to priorities indicated in guidance documents, and to the needs of learners, employers, and industries.

In its ongoing engagement and monitoring of Investment Plans, the TEC uses information from other government agencies, employers and industry representatives, and post study outcomes data to assess how well tertiary education institutes are meeting the needs of the employment market.

The TEC supports providers to develop their Investment Plans through sharing information about government priorities, data about system performance and outcomes, and direct engagement.

The TEC also releases guidance to tertiary providers on what is expected in their Investment Plans. It also produces tools and information to help providers, including links to regional employment data, online information products that provide data about school-to-tertiary transitions, regional and national participation and achievement of learners, and post study employment outcomes.

*Question Five*

*If any of the above are undertaken, to what extent does this formally feedback on a national and systemic basis into secondary curriculum settings and/or information provided to secondary students to assist with their decision making?*

The national curriculum sets out the framework and common direction for all schools. In turn this allows the design of curriculum for schools and curriculum for classrooms that reflect their particular communities of students. Schools are expected to design their curriculum so that students find the transitions through their life positive, including the transition to tertiary education and the workforce: we would expect this includes some consideration of labour market needs.

Information on skills needs feeds into a large number of products intended to support students and others with study and career decision-making. These are detailed below

*Online information and web-hubs*

Through careers.govt.nz, the TEC provides secondary students, jobseekers and others, with information about their careers options and the steps needed to take to pursue these, including tertiary study where this is relevant.

TEC maintains an extensive jobs catalogue which provides information about roles, pay, and employment prospects. In developing this material, the TEC takes account of information about the employment market and engages with employers and industry representatives.

During 2019, for example, the TEC has worked intensively with the Food and Fibre sector to develop a careers hub targeted at addressing the workforce needs of this sector. Similar work is being undertaken for the construction industry.

*Youth Guarantee Initiatives*

Youth Guarantee is a suite of initiatives that includes the Youth Guarantee Fees Free funding, Vocational Pathways, and Secondary-Tertiary Programmes (such as Trades Academies). These initiatives provide opportunities for students to achieve a minimum of the National Certificate of Educational Achievement (NCEA) level 2 or equivalent, to enable progression to higher levels of study, training or employment

Youth Guarantee initiatives improve the transition from school to work by providing a wider range of learning opportunities, making better use of the education network, and creating clear pathways from school to work and study.

*Vocational Pathways*

Vocational Pathways (VPs) were developed to ensure students gain a better understanding of how their NCEA studies applies to the world of work, and the qualifications and skills required by industry.

Vocational Pathways help students see how their learning at school is valued in the real world by aligning standards that can be achieved through NCEA with six industries: creative industries, primary industries, service industries, social and community services, construction and infrastructure, and manufacturing and technology.

Students in years 11-13 who are interested in a career in the trades, technology or industry, can use the Vocational Pathways to identify and plan their study options and develop clear pathways to vocational qualifications that are relevant in the workplace.

*Trades Academies*

Trades Academies allow secondary students to take on full-time study that combines school, tertiary and/or work-based learning and are based on partnerships between schools, tertiary institutions, industry training organisations, and employers. They are aligned with the Vocational Pathways to deliver an NCEA (or equivalent) qualification and a programme that lead to a trades-related, nationally transferrable tertiary qualification level 1, 2 or 3.

When making decisions about how to allocate Trades Academy places between schools, the Ministry of Education (MoE) takes into account data from MBIE on regional and sectoral skills demand. If a school has requested a Trades Academy placement in a region/sector where there is very limited demand, this request will be given lower priority than for placements in high-demand sectors.

*Career advisors in secondary schools*

MoE provides funding for schools to support students to make informed career decisions. It is up to each school to determine how it uses this funding – i.e. whether they employ career advisors or provide other services to students.

*New initiatives that support secondary students with their career/study decision making*

MoE has recently announced a suite of new initiatives aimed at raising the profile and strengthening the pipeline of learners coming into vocational education and training, including from secondary school. These include:

- A new **education-to-employment brokerage service** to strengthen connections between local employers and schools (MSD-led initiative). This initiative will fund up to 20 brokerage positions for two years, beginning in early 2020.
- **Events that connect schools, communities, and employers** (MoE-led). This initiative includes funding up to 250 schools to run their own local trades promotion events within their school/kura or within their Kāhui Ako, and supporting up to 140 speed meets type events (similar to Got a Trade? Got it Made!) along with careers expos.
- A promotional campaign to **raise profile of vocational education** (TEC-led) by highlighting the range of career and earn-while-you-learn opportunities.
- **Increasing Trades Academy and Gateway places** by 2,000 each per annum – this brings the total number of Trades Academy places available to 9,250 per annum and Gateway to 16,000 per annum.

*Question Six*

*If (5) is undertaken, what reports on the effectiveness of these initiatives have been undertaken in terms of influencing subject choices and post-school course choices.*

We do not have information on evaluations ready in time for this paper. We can provide these seperately to the Business Advisory Council if required.

*Question Seven*

*Is there any effective intersection between the assessment of long-term employment requirements, secondary and tertiary education settings and immigration settings to optimise New Zealand's human capital and related citizen wellbeing over the short, medium and long-term?*

The intersection is currently well developed in response to particularly issues. The Sector Workforce Engagement Programme has been actively working in this space with particular industries. Moreover, we develop skills shortage lists in alignment with long-term workforce development plans, such as tourism.

We recognise that more work can be done, and Government has embarked on a series of reforms to improve the relationship between assessments of long-term needs and immigration and education settings. These reforms include:

- Planning institutions established as part of the RoVE process, such as Workforce Development Councils and Regional Skills Leadership Groups (to be implemented from mid-2020 subject to Budget approval- Annex 2 provides an overview of these groups);
- negotiating and implementing sector agreements (in negotiation now, with the first two expected to be implemented from mid-2020);
- reviewing how the skills shortages lists get done (work in progress); and
- improving the way that the check works between MSD and employers as to whether they have any job seekers who are suitable, trainable and available for roles that employers are seeking migrants for (noting these are required for jobs that are paying under the median income).

We see these reforms as delivering better labour market outcomes in the short term (particularly the fourth bullet) and in the medium- to long-term (particularly the first three bullets).