

29 Whiringa-ā-rangi 2021
Hon Grant Robertson
Minister of Finance



Tēnā koe Minister Robertson,

Triannual report – 1 July to 31 October 2021

I am pleased to submit the Commission's first triannual report for the 2021-22 year. While intended to cover the reporting period 1 July to 31 October 2021, this report also comments on matters outside of this timeframe, where relevant.

During this reporting period, the Commission worked on its inquiry into *Immigration settings for New Zealand's long-term prosperity and wellbeing*. We released our preliminary findings and recommendations in November for public feedback. In line with the request in your Letter of Expectations to 'explore and demonstrate new ways of working', we moved to a shorter, more accessible report format underpinned by six more detailed supplementary papers. We are now conducting further research and consultation, reviewing feedback, testing and refining our recommendations, to produce our final report in April 2022.

In June 2021, you asked us to scope a new inquiry into *Economic inclusion and social mobility*. During our consultation, we received feedback from over 1 000 people, including representatives from 60 organisations and deep dive zui with 20 Māori. The feedback covered a large scope, but there were strong themes and common messages which informed the development of the Terms of Reference (ToR). The ToR is now with Treasury for Ministerial feedback, ahead of submission to Cabinet office.

Our Economics & Research team supported our inquiry teams with data and analysis. For our immigration inquiry, they provided information on migration trends, including cohort analysis, spell lengths, transitions between visa types, leaving New Zealand and pathways to residence. The team is now undertaking a microdata project investigating the links between migrant characteristics and economic and social outcomes. To support the economic inclusion inquiry, the team is conducting research on income mobility and poverty dynamics.

To date, we have not received a Government response to our 2021 *New Zealand firms: reaching for the frontier* report. We are keen to understand how the 30 recommendations in this report will be addressed.

Overall, the Commission tracked \$423k under budget for the reporting period. This underspend was due to vacancy lag, particularly in senior positions. Costs are expected to track upwards as a new inquiry is assigned, but we forecast an underspend at the end of the financial year. The Commission has recently experienced higher than normal staff turnover, including at senior levels. This is of concern to me and to the Board, and we have commissioned an independent review to understand the forces at play.

I remain available to progress a kōrero with you on the Commission and a response to our frontier firms inquiry.

Nāku iti noa, nā

A handwritten signature in blue ink, appearing to read 'Ganesh Nana'.

Dr Ganesh Nana
Chair

Triannual report: 1 July to 31 October 2021

Report structure

- Operational delivery
- Financial performance
- Capability
- Priorities and issues ahead

Operational delivery

This table is a high-level summary of our operational delivery. Green indicates progress according to schedule; orange indicates delays or other issues.

	Status	Comment
Inquiries		<p>The Commission had one inquiry into <i>Immigration settings for New Zealand's long-term prosperity and wellbeing</i>. In November, we released a <u>draft report with our preliminary findings and recommendations</u> and <u>six supporting research reports</u> for public feedback.</p> <p>We developed the terms of reference (ToR) for a new inquiry into <i>Economic inclusion and social mobility</i>. The ToR is being reviewed by Ministers and will subsequently be submitted to Cabinet.</p>
Research		<p>Our research team supported the inquiry teams with data and analysis. For example, for the immigration inquiry the research team provided information on migration trends, including cohort analysis, spell lengths, transitions between visa types, people leaving New Zealand and pathways to residence.</p>
Promoting understanding		<p>We published articles on <u>competition policy</u> and <u>New Zealand's productivity story</u> in the popular press.</p> <p>We presented to a wide range of audiences, including on immigration policy, frontier firms, the future of work, productivity and wellbeing, and equity.</p> <p>At the NZAE conference, we had a <i>Productivity matters</i> session presenting on <u><i>Income protection in the New Zealand tax-transfer system</i></u>, <u><i>Benchmarking New Zealand's frontier firms</i></u> and <u><i>Frontier firms</i></u>.</p>

Inquiry: Working-age immigration settings

In May 2021, we were assigned a new inquiry into *Immigration settings for New Zealand's long-term prosperity and wellbeing*. To follow is the status of this inquiry against our output measures:

	Status	Comment
Right focus		<p>In considering immigration settings for long-term prosperity and wellbeing, the Commission looked at the impacts of immigration on a number of factors, including productivity, the four capitals, the distribution of incomes and opportunities, national resilience and the Treaty of Waitangi.</p> <p>We undertook a thorough work schedule of engagement meetings, research and in-depth analysis to produce our preliminary findings and recommendations.</p>
Good process management		<p>An issues paper was released in June 2021 to enable time for feedback to be considered and incorporated into our November draft report and supporting research reports. Review meetings with Commissioners were scheduled regularly to discuss and agree issues. Our final report is on track to be delivered in April 2022.</p>
High-quality work		<p>We released six research reports to support our preliminary findings and recommendations as follows:</p> <ul style="list-style-type: none"> • Primer to New Zealand's immigration system • International migration to New Zealand: Historical themes and trends • Impacts of immigration on the labour market and productivity • The wider wellbeing effects of immigration • Immigration policy: International perspectives • International migration to New Zealand: Future opportunities and challenges <p>We sought feedback or peer review for a number of our research reports, including from the University of Waikato's Professor Francis Collins and Emeritus Professor Jacques Poot; and MBIE's Christine Hyndman.</p> <p>We commissioned Whaia Legal to advise on whether there is a Treaty interest in immigration policy, and how the Crown can honour Te Tiriti o Waitangi and mana Māori in developing and applying immigration policy to ensure it reflects the interests and aspirations of tāngata whenua as whānau, hapū and iwi. Read Whaia Legal's advice here.</p>
Effective engagement		<p>We received and considered 76 submissions and held more than 65 meetings with individuals, government and non-government organisations and firms to inform our preliminary findings and recommendations.</p> <p>To better understand the various views on the macroeconomic impacts of immigration, we held a roundtable discussion with Michael Reddell, Arthur Grimes (Victoria University) and Andrew Coleman (RBNZ).</p>
Clear delivery of message		<p>We moved to a shorter, more visual report format to improve the accessibility of our work. Our draft report was 60 pages and was underpinned by six more detailed research reports. We also produced a summary and key points and actions document for readers short on time.</p> <p>All of our reports were reviewed by an external editor, in addition to our internal quality assurance and editing processes, to ensure clarity and accessibility.</p>

Scoping a new inquiry: *Economic inclusion and social mobility*

In June 2021, the Commission was asked to scope a new inquiry into *Economic inclusion and social mobility*. We named the inquiry 'A fair chance for all: Breaking the disadvantage cycle' and engaged with a range of experts and government agencies to develop a [consultation paper](#) and one-page summary. This paper was then used to aid stakeholder engagement and public consultation on the ToR.

Public consultation on the ToR started in July. The Commission engaged in two media partnerships to help raise awareness and interest in the inquiry and to inspire public feedback. For our media partners, we chose Stuff for their national reach and audience diversity; and The Spinoff for their skill in clarifying complex topics, visualising academic issues, and their audience who are engaged, conscious and educated.

We contracted Haemata to assist us with engaging iwi and Māori. Treasury supported us with Pasifika engagement, by facilitating a talanoa session with leaders from Pacific social sector organisations in South Auckland.

We received feedback from over 1 000 people – including 875 responses to a short online form, [81 submissions](#), direct correspondence, and engagement meetings with over 180 people, including representatives of more than 60 organisations and deep dive zui with 20 iwi and whānau members. The feedback covered a large scope, but there were strong themes and common messages which informed the development of the ToR.

The ToR is now with Treasury for Ministerial feedback, ahead of submission to Cabinet office. We look forward to Cabinet's response.

Previous inquiries

During this reporting period, the Commission received a Government response to our [Technological change and future of work](#) inquiry and to our [Local government funding and financing](#). We have not yet received a Government response to our 2021 *Frontier firms* inquiry which made 30 recommendations to Government.

We noted the following examples of previous inquiry work being explored and used:

Inquiry	Examples of work being explored/used
Technological change and the future of work	<ul style="list-style-type: none"> • As per recommendations in the Commission's 2020 <i>Technological change and future of work</i> report: <ul style="list-style-type: none"> ○ The New Zealand Qualifications Authority updated its micro-credential approval process to enable 'stacking' towards qualifications. ○ The Government announced updates to The Education and Training Act 2020 for more flexible education and training options. This included allowing Workforce Development Councils to develop micro-credentials, replacing Training Schemes with micro-credentials, and formally including micro-credentials on the New Zealand Qualifications Framework. ○ The Government is working to design an unemployment insurance scheme. A policy proposal for consultation is expected later this year. • NZTE released new research into Digital Technology Firms, and the multifaceted challenge they face to grow, and sustain growth, internationally. The report cites several Productivity Commission reports.
Low-emissions economy	<ul style="list-style-type: none"> • As per recommendations in the Commission's 2018 <i>Low-emissions economy</i> report, the Government introduced a Climate Disclosure Bill to make climate-related disclosures mandatory for publicly listed companies and large insurers, banks, non-bank deposit takers and investment managers. • He Waka Eke Noa (a partnership of agricultural sector stakeholders) is following the Commissions' recommendations to favour a split-gas approach to pricing to reduce long-lived and short-lived greenhouse gas emissions, and to apply prices at both the farm and processor levels.

Frontier firms	<ul style="list-style-type: none"> • Te Ara Paerangi Future Pathways Green Paper 2021 on New Zealand’s future research, science and innovation system cites the Commission’s 2021 <i>Frontier firms</i> report several times. • The Committee for Economic Development of Australia used our frontier firms work for their research programme on business dynamism and competitiveness, in particular our work on dynamic managerial capabilities.
Housing affordability and Better urban planning	<ul style="list-style-type: none"> • A Commission graph on housing investment was reproduced in a Bridget Williams Book <i>Too much money: How wealth disparities are unbalancing Aotearoa New Zealand</i> by Max Rashbrooke. • The Commission is participating in a set of workshops organised by the Ministry for the Environment on how a National Planning Framework, as part of the reform of the resource management system currently underway, could facilitate infrastructure investment.

Economics & Research

A new Research Analyst started in August and is working on a joint research project with Professors John Creedy and Norman Gemmel at Victoria University of Wellington on income mobility, to support our *Economic inclusion and social mobility* inquiry.

For the *Immigration settings* inquiry, we are using Stats NZ’s Integrated Data Infrastructure (IDI) to analyse the flows of migrants. We have supported the inquiry team with information on migration trends, including cohort analysis, spell lengths, transitions between visa types, leaving New Zealand and pathways to residence. A particular research focus for us now is on the labour market outcomes of migrants, and how these relate to their characteristics.

We are working on a project with Richard Fabling on productivity and immigration. This work matches data on individual New Zealand-born and migrant workers from the IDI with data on New Zealand firms from the Longitudinal Business Database (LBD). It will provide insights on which businesses and industries are employing which workers and the relationship with productivity.

We have also commissioned Richard Fabling to produce an annual update of the labour and productivity tables, based on the IDI and LBD. This will be a key resource for our understanding of productivity and performance in the New Zealand economy, for both the Commission and the wider research and policy community.

We are collaborating with Te Puni Kōkiri on work into Māori business. This will combine our work on firm performance and productivity with their Te Ao Māori focus, to expand our understanding of the Māori economy.

Promoting understanding

Our work and the Commission continues to generate interest and engagement. We had an active events programme, despite a number of in-person events being postponed due to Covid-19. For example, we had speaking engagements at the following events:

Topic	Event
Immigration	<ul style="list-style-type: none"> • New Zealand Association of Migration and Investment conference
Frontier firms	<ul style="list-style-type: none"> • OECD - Going for growth 2021: Shaping a vibrant recovery • CEDA Council on Economic Policy • APEC Conference on digitalisation and emerging employment patterns
Technological change and the future of work	<ul style="list-style-type: none"> • Land Information New Zealand • New Zealand Apples & Pears - Workforce of the future • Social Innovation New Zealand Conference

Productivity and wellbeing	<ul style="list-style-type: none"> • Bay of Plenty Regional Council, Priority 1 and the Tauranga Maori Business Association – Productivity: Applying our taonga to deliver wellbeing • Kea Future Aspirations Report launch • GovTech Accelerator Launch • Forsyth Barr - What should government be focused on to drive productivity?
Equity	<ul style="list-style-type: none"> • Mental health and addiction key performance indicator programme - How do we use data to take practical action to achieve equity?

Financial performance

Overall, the Commission tracked \$423k under budget for the reporting period. Personnel was underspent by \$255k due to vacancy lag, particularly in senior positions. Costs are expected to track upwards for the financial year as a new inquiry is assigned, but we forecast an underspend at the end of the financial year.

The tables below provide a summary of financial performance across the Commission, and in output areas, for the four-month reporting period:

All financial activity

Financial Performance (\$000's)	4 months to October 2021		2021-22 year
	Actual	Variance to budget	Forecast
Income	2 029	(21)	6 001
Expenditure	1 598	423	5 599
Net surplus/ (deficit)	430	402	402
Total equity			2 066

Output cost breakdown

Output performance (000's)	Actual (4 months to end- October 2021)	Variance to budget (4 months to end- October 2021)	Allocation remaining (full year)
Inquiries	1 408	363	3 861 (73%)
Research	191	60	562 (75%)

Capability

The Commission has experienced a considerable number of staff departures and arrivals in recent months. The Chair and other Commissioners are concerned about the level of staff turnover during this period and have contracted an independent HR consultant to look at the work environment and identify influencing factors with staff. The consultant's report will be delivered in December.

There have been the following changes to staffing:

Month	Staff changes
August	<ul style="list-style-type: none"> • Dr. Bill Rosenberg completed his one-year term as Commissioner and was re-appointed for three years until 31 August 2024. • A part-time fixed-term Research Analyst started.
September	<ul style="list-style-type: none"> • Two Principal Advisors started. • An Inquiry Director returned from their secondment at LINZ. • Our General Manager left.
October	<ul style="list-style-type: none"> • A Principal Advisor joined on a part-time fixed-term contract.

November	<ul style="list-style-type: none"> • A Director of Operations and three summer interns started. • An Inquiry Director (Acting), Principal Advisor and Office Manager left.
December	<ul style="list-style-type: none"> • A Principal Advisor and an Inquiry Director (Acting) will leave. However, the Inquiry Director (Acting) will be seconded from their new employer for 28 hours per week from 25 January to 31 March to maintain continuity for their inquiry.

Priorities and issues ahead

On the horizon for the next triannual period (November 2021 – February 2022) and beyond:

- Receiving a Government response to our 2021 *Frontier firms* report.
- Recruitment of two Inquiry Directors, and several Policy and Research Advisors.
- Consideration of the HR consultant's report into staff turnover and decision on subsequent actions.
- Cabinet consideration of the terms of reference for our new inquiry into *Economic inclusion and social mobility*. Then starting this inquiry, subject to Cabinet approval.
- Research and engagement to inform the final recommendations for our immigration inquiry. The final report will be presented to referring Ministers in April 2022.
- The development and implementation of a refreshed organisational strategy in response to your Letter of Expectations.