

30 Poutū-te-rangi 2022
Hon Grant Robertson
Minister of Finance



Tēnā koe Minita,

Triannual report – 1 November 2021 to 28 February 2022

During the reporting period, the Commission has continued work on its inquiry into *Immigration settings for New Zealand's long-term prosperity and wellbeing*. In November we released our preliminary findings and recommendations for public feedback. We then carried out extensive research and analysis to refine our recommendations for our final report. This report will be presented to referring Ministers at the end of April 2022. It will be in a short report format, complemented by an *Immigration by the numbers* publication and six industry case studies.

In December 2021, we received the terms of reference (ToR) for a new inquiry into *Economic inclusion and social mobility – A fair chance for all*. Our work programme for this inquiry is well underway to address the issues posed in the ToR. In February, we released one of our first research outputs, a review of joined-up social service initiatives intended to reduce persistent disadvantage. We will continue to release our research findings throughout the year and look forward to sharing our preliminary findings and recommendations with you in our draft report in August 2022.

Our Economics & Research team focused on research and analysis to support both of our inquiries. We look forward to presenting some of this work at a dedicated productivity session at the NZAE conference in June.

The Commission has continued to experience higher than normal staff turnover, including at Board and leadership level. I, alongside the Board, commissioned an independent review to understand the forces at play and the Board has agreed to action all of the recommendations made to improve staff satisfaction and retention.

Overall, the Commission tracked \$910k under budget for the reporting period. This underspend was due to vacancy lag, particularly in senior positions. We forecast to be underspent at the end of the financial year.

At the end of 2021, we received the Government response to our *Frontier firms* inquiry. It has not yet been released publicly by the Government and we urge you to enable its release as soon as possible. It is the first time we have received a request for a follow-on review and so we are keen to meet with you to understand the scope of such a review.

We also welcome a meeting to update you on the progress of our organisational strategy and to receive an update on the assignment of Commissioners and a new inquiry (to follow the completion of our immigration inquiry). We have been in touch with your office requesting such a meeting and hope we can arrange for your earliest convenience.

Nāku iti noa, nā

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

Dr Ganesh Nana
Chair

Triannual report: 1 November to 28 February 2022

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>For our <i>Immigration settings</i> inquiry, we worked on the economic and policy analysis for our final report. This work is currently on track to be presented to referring Ministers at the end of April 2022, as per our Terms of Reference (ToR). A risk to delivery is the potential impact of Covid-19 on staffing of the inquiry team.</p> <p>In December 2021, the Commission received the ToR for a new inquiry into <i>Economic inclusion and social mobility – A fair chance for all</i>. We started research, analysis and engagement to address the issues posed in the ToR.</p>
Research		<p>The team worked on the following research to support our inquiries:</p> <p>Immigration inquiry</p> <ul style="list-style-type: none"> • The relationship between migrants’ characteristics and their outcomes • The relationship between migration and productivity • Migrant employment patterns • Data and analysis for industry case studies. <p>Fair chance for all inquiry</p> <ul style="list-style-type: none"> • Year-on-year income mobility and poverty persistence
Promoting understanding		<p>Whilst many events were postponed, cancelled or moved online due to Covid-restrictions, we were still able to present to a wide variety of audiences. A webinar for the <i>Fairy chance for all</i> inquiry with <i>Koi Tū: The Centre for Informed Futures</i> on the first 1 000 days attracted a particularly large audience due to the high calibre of the speakers.</p>

Inquiry: Working-age immigration settings

We released our preliminary findings and recommendations for our immigration inquiry in November 2021. To follow is the status of this inquiry against our output measures:

	Status	Comment
Right focus		We focused the inquiry (between draft and final report) on research into the impact of migrants on firm level productivity.
Good process management		We held regular meetings with Commissioners to guide our analysis and progress towards final recommendations. Our final report is on track to be delivered at the end of April 2022.
High-quality work		We have focused on a large body of analysis to inform the development of our final recommendations. We are working on the following projects: Economic analysis <ul style="list-style-type: none"> • Firm-level analysis of the border closure on firms who employ RSE workers • Distributional impacts of migration • Firm level analysis of differences between migrant and local workers • Migrant outcomes Six industry case studies <ul style="list-style-type: none"> • On international students, RSE horticulture and viticulture, aged care, construction, ICT software, and on-farm dairy. Policy analysis <ul style="list-style-type: none"> • Government Policy Statements including Tiriti, absorptive capacity and adjusting migrant numbers • Policy implications of the macro story, including absorptive capacity issues • Migrant experience, manaakitanga and care of manuhiri • Rights and obligations – unlimited right of return for permanent residents • Allocation and prioritisation of of temporary visas to manage volumes and risks to the local labour market • How migration selection policies could better support labour market supply and productivity objectives • Australia’s data-led approach to understanding skill shortages and feasibility of applying the approach in NZ using available data • Options for delinking visas
Effective engagement		We received and analysed <u>101 submissions</u> on our draft report. These submissions are informing our case studies and final report.
Clear delivery of message		We will keep to a short final report to help improve the accessibility of our work. It will be complemented by a summary, six industry case studies and an <i>Immigration by the numbers</i> report. All reports will be reviewed internally and externally to ensure accuracy and clarity of message. The final report and <i>Immigration by the numbers</i> will be designed to help engage readers, present information clearly and highlight key messages.

Inquiry: A fair chance for all

In December 2021 we were assigned a new inquiry into *Economic inclusion and social mobility – A fair chance for all*. To follow is the status of this inquiry against our output measures:

	Status	Comment
Right focus		<p>We held planning sessions to develop a research and analysis work programme that will address the issues in the Terms of Reference (ToR). We sought input to our project briefs from a range of external experts.</p> <p>Haemata reviewed our research programme to ensure we are appropriately incorporating Te Ao Māori approaches and Māori perspectives. Haemata is also providing cultural capability support across our research, policy development and engagement. They've trained the team on Te Tiriti and te reo Māori.</p>
Good process management		<p>The inquiry is well managed and on track, for example we held:</p> <ul style="list-style-type: none"> • A session with Commission staff and Treasury on the ToR process in order to share learnings and recommendations. • A team planning day to discuss and confirm our work programme, scope research projects, allocate resources and identify potential collaborators. • Regular review meetings with Commissioners to discuss and agree research briefs, as well as engagement and communications plans. • A training session with staff on improving the accessibility of reports and meeting the Commission style and brand requirements. <p>The Inquiry Director (Acting) resigned and left in December, but we have contracted them for 28 hours per week until the end of March to maintain continuity for the inquiry until a new Inquiry Director is recruited.</p>
High-quality work		<p>A <u>review of joined-up social service initiatives</u> intended to reduce persistent disadvantage has been completed and was released in February 2022.</p> <p>The following research projects continue:</p> <ul style="list-style-type: none"> • A review of previous inquiries into reducing persistent disadvantage • A synthesis of research into lived experience of persistent disadvantage • Life-course income mobility and poverty persistence (with Victoria University of Wellington) • Patterns in and impacts of persistent multiple disadvantage in early childhood (led by Dr Kate Prickett using the Growing Up in NZ cohort dataset) • Descriptive narrative of the trends in economic inclusion and social mobility in New Zealand (with Treasury).
Effective engagement		<p>Our engagement approach focuses on:</p> <ul style="list-style-type: none"> • Engaging with people with lived experience of disadvantage via trusted intermediaries. • Working collaboratively with a limited selection of external organisations • Ensuring that Māori and Pacific people's views are included by: <ol style="list-style-type: none"> a) working through existing networks and groups to connect with a wide range of Māori experts, stakeholders and communities, b) use existing partnerships between government and Pacific communities to engage with key Pacific organisations. • Releasing research reports throughout the inquiry, culminating in a short, accessible draft and final report. • Risks and mitigation strategies have been identified, given Covid.
Clear delivery of message		<p>For the release of our <u>review of collaborative initiatives</u>, we produced a <u>summary</u> that was externally edited into Plain English to ensure clear delivery of message.</p>

Previous inquiries

During this reporting period, the Commission received the Government response to our *Frontier firms* inquiry. The letter states that it will be released publicly in the New Year, but we still await its release and encourage this to happen as soon as possible. We are pleased to see the acceptance of recommendations and the request for a follow-on review of Government’s policy settings in 12 months.

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

Inquiry/topic	Examples of work being explored/used
Frontier firms inquiry	<ul style="list-style-type: none">Christopher Luxon talked about Frontier firms in the National Business Review, for example <i>“Luxon said the third factor in lifting productivity was addressing how enterprise could be unleashed and how to build a bigger set of export-led frontier firms... He said encouraging and expanding the number of frontier firms would lift the whole business ecosystem.”</i>
Innovation policy	<ul style="list-style-type: none">Dr Cate Roy, Senior Policy Advisor at The University of Auckland found the Commission’s 2021 paper on Focused innovation policy to be “excellent” and very relevant to her work on MBIE’s Future Pathways for the RSI system. We had a discussion on the paper that informed her submission to MBIE’s consultation.
Using land for housing inquiry	<ul style="list-style-type: none">In January 2022, Minister Robertson noted the Government was investigating a “value capture” tax for property owners along the proposed Auckland Light Rail corridor. This is as per a recommendation in our 2015 Using land for housing final report that recommends investigating an amend to the Local Government (Rating) Act 2002 to allow councils to levy targeted rates on the basis of change in land value to enable councils to capture the uplift in property values resulting from infrastructure investments.

Economics & Research

Our Economics & Research team supported our inquiry teams with data and analysis. The team focused on the following projects for the immigration inquiry:

- A joint project with the Commission, Richard Fabling¹ and Dave Maré (Motu) on productivity and immigration. This work matches data on individual New Zealand-born and migrant workers from the Integrated Data Infrastructure (IDI) with data on New Zealand firms from the Longitudinal Business Database (LBD). The research explores whether migrants work at firms that are more productive, whether migrants are more productive than local workers, and whether migrants are paid differently to similar locals.
- A project on the labour market outcomes of migrants, and the characteristics and outcomes of temporary and permanent migrants to New Zealand arriving between 1999 and 2020. Temporary migrants make up a significant share of applicants for residence. Drawing off the IDI, this work explores the differences in decisions where employers determine entry (demand-driven temporary migration) and where the government selects residents (based on human capital). The research investigates how well selected migrant characteristics (eg, visa type, occupation) predict economic and social outcomes, and whether there are lessons for immigration policy.
- Dave Maré, Lynda Sanderson and Melanie Morton studied the firm-level impact on the composition (value-added, wage bill, and labour force) of employing seasonal migrants. This research uses the sudden closure of the New Zealand border on 19 March 2020 as an unanticipated shock to seasonal migration from the Pacific, and compares the outcomes of businesses that experienced different changes to their Recognised Seasonal Employer (RSE) workforces.

¹ Richard Fabling was a consultant, then joined the Productivity Commission as an employee in January 2022.

And the following project for the economic inclusion and social mobility inquiry:

- A joint project with Professors John Creedy and Norman Gemmel at Victoria University of Wellington on year-on year income mobility and poverty persistence.

Richard Fabling became an employee of the Commission and has started work on an annual update of the labour and productivity tables, based on the IDI and LBD. The dataset has been produced and is being used for analysis. It will be a key resource for our understanding of productivity and performance in the New Zealand economy.

Promoting understanding

Our Chair was Ambassador of this year's GovTech Accelerator programme which focused on innovation across the public sector to improve wellbeing. In November a Demo Day showcased the eight cross-government team's projects to Ministers and key stakeholders.

A number of events during the reporting period were postponed due to Covid-19 and many in-person events moved online. The below table outlines events where the Commission presented its work and perspectives. Of note, was a webinar we ran with Koi Tū: The Centre for Informed Futures on the first 1 000 days. It attracted a large audience to hear from four global experts about the importance of focusing on the early years in breaking the cycle of intergenerational disadvantage.

Topic	Event
Immigration	<ul style="list-style-type: none"> • NZ Tech Connect – Immigration and the future of the tech sector • MBIE Policy Forum – Immigration draft report • Building Nations 2021 – Increasing productivity in Aotearoa • EDNZ Virtual Congress – Skills shortages and immigration • CTU National Affiliate Council – Productivity and wellbeing • Association of Consulting Engineers NZ and Engineering New Zealand – Immigration draft report • Horticulture NZ – Immigration draft report • Grattan Institute – Where to now for migration policy in Australia and New Zealand?
Economic inclusion and social mobility	<ul style="list-style-type: none"> • <u>Why the first 1 000 days matter</u>: breaking the cycle of disadvantage (with Sir Peter Gluckman, 260 attendees) • Community Networks Aotearoa Conference – Raising awareness of the inquiry and discussing ways to support more joined-up social services
Frontier firms	<ul style="list-style-type: none"> • Innovate NZ – Keynote on frontier firms (audience of 200+)
Technological change and the future of work	<ul style="list-style-type: none"> • Launch of World Internet Project – New Zealand on digital access and inclusion
Indigenous policy	<ul style="list-style-type: none"> • Impact 2021 – Recasting the role of the (Australian) Productivity Commission? A discussion on indigenous policy and evaluation
Gender/labour market	<ul style="list-style-type: none"> • United Nations Women's Empowerment Principles Survey 2021 • University of Minnesota – Gender and the labour market in New Zealand • Pacific Economics Officials Group - The Impact of Covid-19 on Pacific labour market outcomes
Productivity	<ul style="list-style-type: none"> • Organisational Psychologists – A wider lens for productivity: delivering wellbeing and protecting resources.
Business	<ul style="list-style-type: none"> • Kea WCNZ Network Impact Strategy

Financial performance

Overall, the Commission tracked \$910k under budget for the reporting period. Personnel was underspent by \$481k due to vacancy lag, particularly in senior positions. The Commission is forecasting to be underspent 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 reporting period:

All financial activity

Financial Performance (\$000's)	8 months to February 2022		2021-22 year
	Actual	Variance to budget	Forecast
Income	4 006	(38)	5 984
Expenditure	3 096	915	5 009
Net surplus/ (deficit)	910	877	975
Total equity			2 813

Output cost breakdown

Output performance (000's)	Actual (8 months to end- February 2022)	Variance to budget (8 months to end- February 2022)	Allocation remaining (full year)
Inquiries	2 770	710	2 499 (47%)
Research	326	167	426 (57%)

Capability

Commissioner Andrew Sweet resigned and will finish at the Commission on 4 March, just before the end of his two-year term (31 May 2022). Commissioner Gail Pacheco has decided not to renew her appointment for a second term and will finish at the end of her first term on 1 July 2022.

During the reporting period, an Inquiry Director, two Inquiry Directors (Acting), four Principal Advisors and a secondee Principal Advisor resigned.

An independent HR review was conducted to understand the factors influencing high staff turnover in 2021. The review found that turnover occurs due to a mix of push and pull factors, the impact of which vary for individuals. For example, pull factors identified were career opportunities, broader experience, bigger roles and remuneration packages. Push factors were reputation risk with a concern for loss of independence and ability to produce high quality work, dissatisfaction with recent experiences, and staff not feeling valued.

The Board has agreed to all of the HR review's recommendations to help increase staff satisfaction and retention. These recommendations are being implemented by our new Director, Operations.

The following table details all staff changes during this reporting period and for the next two months:

Month	Staff changes
November	<ul style="list-style-type: none"> An Operations Director 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) left. However, the Inquiry Director (Acting) is contracted from their new employer for 28 hours per week from 25 January to 31 March to maintain continuity for the inquiry.

January	<ul style="list-style-type: none"> • 1 Principal Advisor started.
February	<ul style="list-style-type: none"> • 2 Principal Advisors started.
March	<ul style="list-style-type: none"> • 2 Inquiry Directors appointed (to begin in April and May) • Commissioner Andrew Sweet left on 4 March. • 1 Principal Advisor on part-time secondment left on 18 March. • 2 Principal Advisors started.
April	<ul style="list-style-type: none"> • An Inquiry Director will leave on 14 April.

Priorities and issues ahead

On the horizon for the next triannual period (March – June 2022) and beyond:

- The appointment of new Commissioners.
- Two new Inquiry Directors starting.
- Presentation of our final inquiry recommendations to Government on working-age immigration settings and the public release of our final report.
- Receiving the Terms of Reference for a new inquiry.
- Confirming an organisational strategy and moving to implementation.
- Strengthening staff satisfaction and retention by ongoing progressive implementation of the HR review's recommendations.
- Developing and releasing our preliminary recommendations for the *Fair chance for all* inquiry.
- Managing the risks and impact of Covid-19 on resourcing and work delivery.