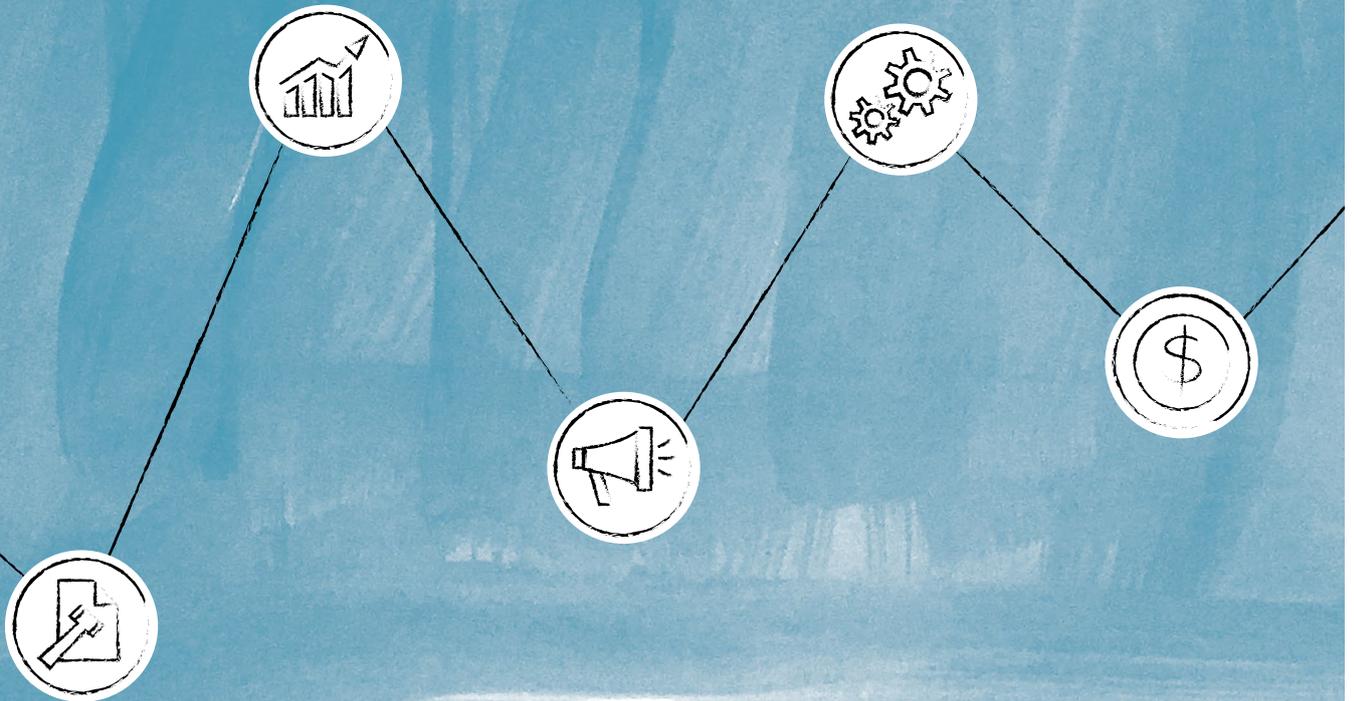


New Zealand
Productivity Commission

Annual report

1 July 2019 – 30 June 2020



Presented to the House of Representatives pursuant
to section 149 of the Crown Entities Act 2004

NEW ZEALAND
PRODUCTIVITY COMMISSION
Te Kōmihana Whai Hua o Aotearoa



Contents

Our year at a glance	2
Board's message	3
Who we are	5
Our governance and capability	6
How we measure our performance	10
Our performance this year	13
2019–20 Statement of performance	23
2019–20 Financial performance summary	50
Statement of responsibility for the year ended 30 June 2020	53
Independent auditor's report	54
2019–20 Financial statements	58
Governance and management	74

Our year at a glance

- Our **Local government funding and financing inquiry** considered **271 public submissions** and drew from extensive engagement with the local government sector and wider stakeholder group. Specialist consultants provided expert advice and quality assurance on cost and tax issues. In November 2019, our **final report** had **78 findings** and made **44 policy recommendations**. This inquiry was the **fifth time** the Government has asked the Commission to look into aspects of local government. We collated the **key lessons in a Local government insights report**.
- Our **Technological change and the future of work** inquiry concluded in March 2020. We considered **85 submissions**, consulted with stakeholders across New Zealand and America, and held **workshops on the digital divide and micro-credentials**. Experts were contracted for advice on the gig economy, unemployment and education.
- We used a new approach to share insights via a dedicated **FutureworkNZ blog**. Over a 9-month period **86 blog posts** generated 48 blog comments, **21 500 website visits** and reached over **200 000 people on social media**. It had an impact overseas eg, with posts republished in London School of Economics Business Review.
- We released a series of **short thematic draft reports**, a new initiative to better align our findings with the policy process, and a **final report** in March 2020. This coincided with the start of COVID-19 which limited its public impact. The inquiry recommendations remain pertinent, perhaps even more so post COVID-19.
- In December 2019, the Minister of Finance assigned us a **new inquiry into New Zealand's frontier firms**. This topic aligns with a desire to have our inquiry work more directly supportive of improved understanding of New Zealand's macro-productivity challenges and the sources of New Zealand's low productivity growth.
- With the onset of **COVID-19**, the Government refrained from assigning us a second inquiry in 2020. We instead assigned our second inquiry team to **support the Treasury** on COVID-19 related analysis and policy work. To share insights and generate discussion around covid-related issues, we initiated a **Pandemic-economics blog**. 25 posts over a 3-month period generated **9 400 unique views**.
- Our Economics & Research team published nine research papers: **six contributed to the understanding of factors that influence productivity, such as trust, competition and job creation**, and the others contributed to aspects of our inquiries eg, local government performance, attitudes to technology and exporting firms.
- The **Government responded to the recommendations of our Low-emissions economy report** with the establishment of a Climate Change Commission, passage of the Climate Change Response (Zero Carbon) Amendment Act 2019 and strengthening of the Emissions Trading Scheme.
- We developed a **new Diversity and Inclusion Action Plan** to ensure success in incorporating greater levels of diversity in our work. We started work on a baseline workplace profile, awareness and education tools and strategic human resource approaches.
- **Professor Gail Pacheco** was appointed as a Commissioner in July 2019 and we farewelled establishment Commissioner **Professor Sally Davenport** in March 2020.

Board's message



Whatever priorities different governments may have for the wellbeing of New Zealanders, the nation's productivity performance is at the heart of achieving sustained higher living standards and greater wellbeing.

The attributes of greater wellbeing to which New Zealanders' aspire – including environmental sustainability, social equity and cohesion, better health, housing and education, and higher wages and incomes – are both a measure of our national productivity performance and dependent on it. Above all, it is productivity growth that enables the goals and aspirations of New Zealanders – as a nation, as distinct communities, and as families and whānau – to be realised.

New Zealand's productivity performance has been weak for decades. The challenge is to lift productivity by generating more value from productive inputs, while preserving and improving the environment, and making sure the benefits of growth are enjoyed by all New Zealanders.

There is no single prescription for lifting productivity across the board. The Commission has been at the forefront of research into the drivers and the barriers to improved productivity, and we have developed a broad diagnostic of New Zealand's poor productivity performance. Our inquiries have detailed policy recommendations to improve performance in specific areas.

The first inquiry we completed this year provided specific policy recommendations on *Local government funding and financing*. We concluded that radical reform was not required and the current rates-based system remains appropriate for New Zealand. Whilst there was

disappointment with this conclusion for some, particularly from within Councils, we found that the rating tools available to councils are efficient and well segmented from central government's funding base. This supports local decision-making, local accountability, local autonomy and council efficiency. Councils will, however, require substantial support in some areas, notably in three waters investments and in climate change adaption. Our report makes recommendations that deal with cost pressures, and better aligns councils and ratepayers interests.

For subsequent assignments, we were pleased to see the recommendations of a [2018 Skilling review](#) come to fruition. This called for our inquiry work to be more directly focused on macro-productivity issues, with inquiry topics aligned to the broader productivity challenges that New Zealand faces. For example, this year we worked on *Technological change and the future of work* and were then assigned an inquiry into *Maximising the economic contribution of New Zealand's frontier firms*. We have welcomed this refocus of our work by the Minister of Finance. It strongly aligns with how we see our purpose and where we believe we can have the most impact.

2020 has, of course, been dominated by the COVID-19 pandemic and the resulting social and economic disruption. The delivery of our inquiry into *Technological change and the future of work* coincided with the onset of the crisis. Nonetheless,

our recommendations remain pertinent. They focus on underlying and long-term issues in New Zealand's economy – low productivity growth and unequal education achievement. And our overall recommendation that New Zealand needs to adopt more technology to drive productivity and income growth, is even more relevant in a post Covid-19 era.

The impact of our work often takes time to materialise. This year we have seen progress on inquiry recommendations from previous years. Examples include the establishment of Kāinga Ora – Homes and Communities and the Climate Change Commission and changes to aspects of competition law. It is encouraging to see these changes and to hear the Commission's work raised in parliamentary discussion and in Cabinet papers. We continue to look at new ways to widen our engagement, to influence policy makers and maximise policy impact.

The 2019-20 year ended with an operating surplus of \$135 032, which was largely the result of carrying vacancies in senior positions. Our overall funding level has been unchanged in nominal terms since we were established in 2011. As costs rise, we will be unable to maintain the quality and volume of our inquiry and research outputs on the current appropriation. The Commission will seek additional funding in the 2021 budget round so we can continue to attract and maintain high quality analytical capability, undertake the depth and breadth of analysis required to resolve complex issues, and maintain high levels of public engagement. If we are unable to secure additional funding, we will be unable to carry out two inquiries at a time and maintain our research outputs.

This year has seen a substantial refresh of the Commission's Board. Professor Gail Pacheco was appointed as a Commissioner, joining Andrew Sweet. Professor Sally Davenport completed her appointment. I would like to sincerely thank Sally for her outstanding service as an establishment Commissioner and latterly as Chair of our Assurance Committee. Her background in

science, research, innovation and education has been highly relevant and valuable to our work.

I am now approaching 10 years as Chair and my term concludes at the end of January 2021. It has been an absolute privilege to establish, develop and lead the Productivity Commission and to work with so many great New Zealanders. I am proud of the body of high-quality analysis and advice that my team has delivered. It has helped to unpack the "productivity challenge" and influence policy decisions on many fronts.

To return to where I started this message, boosting productivity growth should be a central plank of any strategy to lift and sustain the future prosperity and wellbeing of New Zealanders. New Zealand's weak productivity performance is no new phenomenon. An independent agency dedicated to examining the sources of New Zealand's low productivity and to identifying policies to best resolve these is not the only way to approach the challenge. But used well by Ministers, it can make a real difference and be a key contributor to better understanding of the issues and ultimately to improved productivity performance.

The end of this year has seen a period of unprecedented change for all New Zealanders and the impacts of COVID-19 make the Commission's work more important than ever. I would like to thank all of you who have engaged with us over the last year or provided feedback on our work. Your insight has helped to provide valuable evidence and advice to inform and influence the quality and impact of our work. My thanks also to our Commissioners and dedicated staff for their expertise, adaptability and resilience this year.



Murray Sherwin
Chair

Who we are

Our purpose

The Commission's purpose, as embodied in the New Zealand Productivity Commission Act 2010, is to provide advice to the Government on improving productivity in a way that is directed to supporting the overall wellbeing of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society.

The overall goal of our work is to contribute to increasing productivity and in doing so, provide greater choices and enhanced wellbeing for all New Zealanders.

Our work

The Commission provides evidence-based, high-quality analysis and advice about ways to improve productivity in New Zealand. We aim to contribute to lifting productivity and the wellbeing of New Zealanders, as well as increase the public and political understanding of productivity-related issues.

Our annual work programme focuses on undertaking inquiries into and research on, and promoting public understanding of, productivity-related matters. The Commission normally works on two inquiries in parallel.

This year, we completed inquiries into *Local government funding and financing* and *Technological change and the future of work*. The Government assigned us one new inquiry into *New Zealand's frontier firms*, but refrained from allocating a second inquiry as attention shifted to the COVID-19 crisis. Instead we assisted the Treasury in providing advice on selected topics related to the COVID-19 response and the path back to sustainable economic development.

Undertaking inquiries

Inquiries are big pieces of analysis, typically with a 12–15-month timeframe. The time allowed recognises the importance of engaging extensively with interested parties to ensure we can be exposed to all points of view, get the best available information, understand different perspectives and test ideas. The Government chooses inquiry topics to ensure our work is relevant, and our advice pertains to issues they have an interest in addressing. Once topics are set, we are required to act independently.

Publishing research

We self-select research and publish papers to provide new insights and evidence on which to base advice that can improve New Zealand's productivity performance. This work includes undertaking and publishing an annual benchmarking exercise to track New Zealand's productivity performance over time – it's titled *Productivity by the numbers*. We also work closely with agencies which are active in productivity research, including serving as the external member of MBIE's strategic policy advisory group.

Promoting understanding

Promoting understanding of productivity-related matters takes many forms besides our communications activities around inquiries and research. We regularly host and contribute to presentations on productivity-related research from academics and government departments. We speak about productivity issues to a diverse range of sectors and use multimedia and social media to engage with different audiences.

Our governance and capability

Our governance

The Commission is governed by a Board that is accountable to Parliament and reports to a Responsible Minister within Government, currently the Minister of Finance. At the end of the 2019–20 reporting year, our Commissioners were Murray Sherwin (Chair), Andrew Sweet, and Professor Gail Pacheco.

The Chair and Commissioners are responsible for the effective governance of the Commission which includes the appointment and performance of the management team, setting and monitoring strategic direction, delivery of and conformance with accountability documents, integrity of processes and the overall health, wellbeing and sustainability of the organisation (including oversight and management of reputation and risk). Commissioners also oversee the delivery of the substantive work programme and outputs, shaping the scope, content, balance, quality and presentation of our work.

This year we saw some changes to the Commission's Board. Professor Gail Pacheco was appointed as a Commissioner in July 2019 and one of our establishment Commissioners, Professor Sally Davenport, completed her appointment with us in March 2020.

There will be further changes to the Board next year. A new Commissioner, Dr Bill Rosenberg, is appointed for a one-year preliminary term from September 2020 and the Commission's Chair, Murray Sherwin, completes his 10-year appointment at the end of January 2021. Murray has established, developed and led the Productivity

Commission since its inception and his departure will be a big change for all.

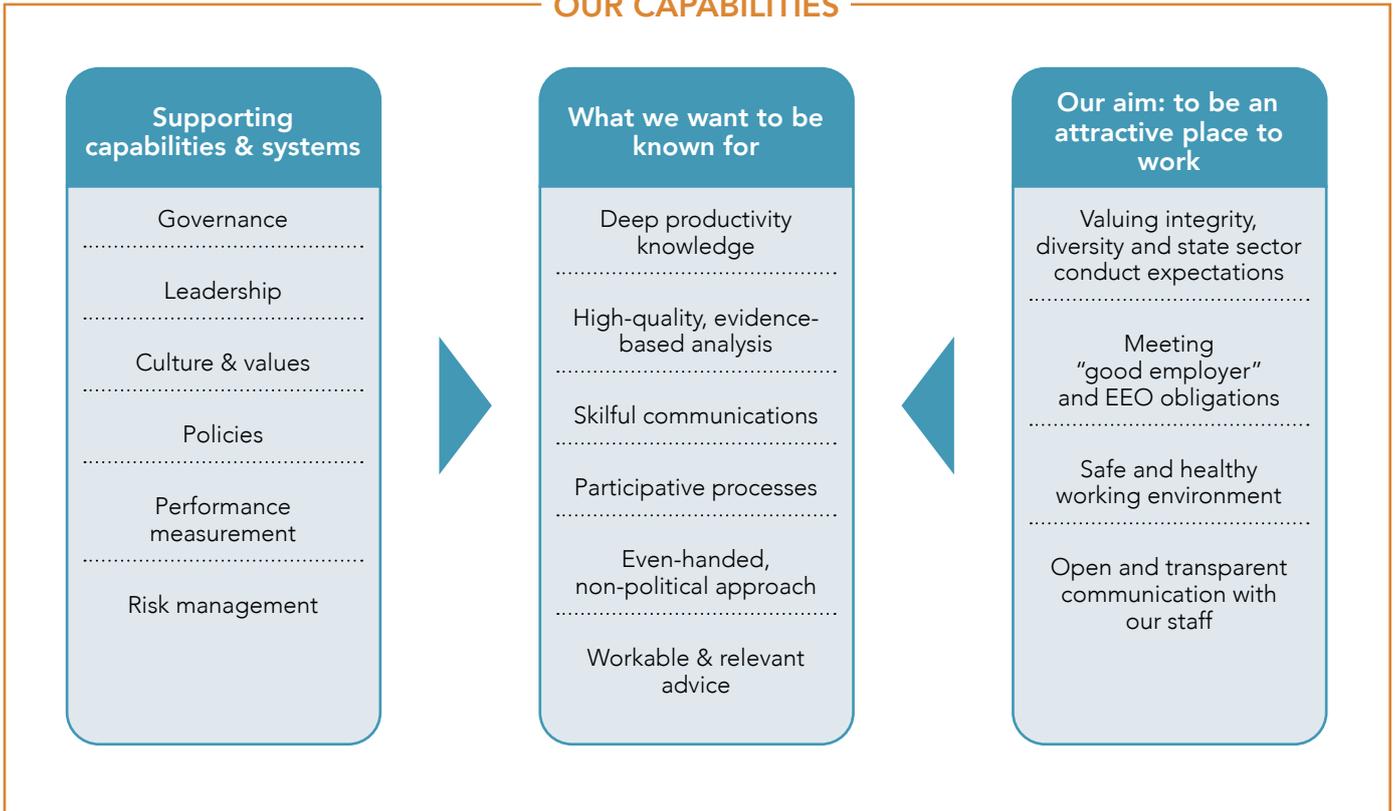
Our people

The quality of our people is critical to our success. Our people have well-developed research and analytical skills, and the ability to undertake high-quality analysis and shape that into influential policy advice.

We need to attract and retain people who are strong performers in their field, or who have significant potential to contribute to our research or inquiry work. Our approach to resourcing is to employ people who bring diverse skills, disciplines and backgrounds to benefit the organisation. Once with us, we place high importance on supporting our people, including investing in their development.

Across all staff positions (including administrative roles) we typically employ between 15 to 20 people with approximately a 50–50 gender split. They are employed on a mixture of permanent and shorter, fixed-term contracts. We supplement our permanent staff with consultants to bring specialist knowledge and fresh perspectives, as required, and through secondments to take advantage of expertise across the public sector. For example, this year we had the benefit of a Principal Advisor from the Ministry of Education's tertiary and international education group being seconded to our *Technological change and the future of work* inquiry team. In the same way, one of our Principal Advisors from the *Low-emissions economy* inquiry team was seconded to the Ministry of Business, Innovation and Employment to work on climate change policy.

OUR CAPABILITIES



This year one of our two Inquiry Directors left the Commission. We made some changes to our operations to reflect the focus of our inquiries on macro-productivity challenges and resourcing constraints for our Economics & Research function. Our Economics & Research Director took up the role of Inquiry Director to lead the frontier firms inquiry and the work programme for our research team shifted to more directly support that inquiry.

Our capabilities

Our work demands a high level of capability in areas such as sourcing information, analysis, process management, engagement, and communications and influencing. These key capabilities are measured indirectly through our performance measurement processes and inform our internal priorities for capability development. We also think about our capability in terms of the reputation we aspire to as an organisation. This, in turn, is linked to how we make a difference.

These capabilities assist us to get the right information into the Commission and publish insightful and influential analysis, findings and recommendations (having followed a robust process along the way).

We value diversity

This year the Commission developed a dedicated diversity and inclusion policy. This recognises that our thinking and actions need to be informed by a range of views as this will enhance the credibility, value and effectiveness of our work. We want to understand different perspectives, constantly look for new insights and adapt our thinking in light of new evidence.

Our diversity and inclusion policy is based on enhancing diversity of thought across our work, underpinned by who we are as individuals, our experiences, and our family and cultural heritage. Our approach is based on a set of guiding beliefs.

Our approach to diversity and inclusion

We believe that a diverse and inclusive approach to policy development is vital to lifting productivity and wellbeing for New Zealanders.

Our focus on diversity and inclusion will have a positive impact on our performance.

We have a responsibility as an employer and advisor to lead and role model in this area.

We recognise that we do not have all the answers and that we will make progress in this area through discussion, debate and feedback from our people and customers.

We are prepared to try new things and learn from our mistakes.

Under our Diversity and Inclusion Action Plan, the Commission's Board will set and review measurable objectives each year. Our initial priorities are about developing a base of knowledge on diversity and inclusion in the Commission. This includes a baseline workplace profile, awareness and education tools, and identifying strategic human resource approaches for increasing the diversity of the Commission's workforce.

The Commission also aims to provide equal employment opportunities to make the most of the talents of all our people. In doing this, we aim to maintain a clear focus on leadership, workforce development, management of people and performance, and engagement with our employees. Assessing our status as a "good employer" against the elements and criteria set out by the Human Rights Commission is also a focus for us. We are working to ensure that all elements are in place and functioning well.

Strategic risks and building our reputation

The Commission identifies the below six key attributes that we believe are vital to our strategic success. We see our strategic risks as the inverse of not achieving or sustaining these key areas of success. So, when we assess strategic risk, we consider the environment in which we operate and how we want to be known in that environment:

What we want to be known for	Strategic risk area	Our response
Deep productivity knowledge	Insufficient knowledge	Our research function and inquiry work contribute to a deep understanding of productivity. Through our work and that of others, we will continue to enhance this knowledge. We must also continue to pursue improvement in those areas highlighted through our performance evaluation exercises and make time for staff to pursue professional and knowledge development.
High-quality, evidence-based analysis	Weak analysis	The ongoing development of analytical capability will always be a priority for our overall performance. While high quality skills and experience in economics and public policy remain core requirements our mandate is broad indicating that intellectual and experiential diversity are also important considerations.
Skilful communication	Poor communications	We are always assessing the relevance and utility of our communications approach and tools. This includes understanding how we can ensure that our messages are clear, accessible, and effectively presented. We recently updated our website to improve navigation and accessibility and to better communicate what we do and why.
Participative processes	Poor process and/or engagement	Our engagement processes are often highlighted as a strength and a distinguishing feature of our approach relative to core government agencies. We are committed to continuous improvement, for example, our recently completed inquiry on <i>Technological change and the future of work</i> operated a different model with a series of short draft reports along with a blog that provided an alternative means of gathering views and reaching interested parties.
An even-handed approach	Bias and/or loss of independence	We actively engage with a wide range of individuals and organisations to ensure we are exposed to all points of view, get the best available information and understand different perspectives. We are committed to providing independent advice.
Workable and relevant advice	Seen as overly theoretical and lacking practicability	The quality and workability of our recommendations will be an enduring focus. Overall, feedback to date indicates we are credible and influential through the quality and emerging impact of our work. It is critical that we remain focused on providing relevant and workable advice, and recommendations that can, with political will, be successfully implemented.

How we measure our performance

How we make a difference: our outcomes framework

Ultimately, we seek to influence two outcomes: to **lift New Zealand's productivity** and, as a result, **lift the wellbeing of New Zealanders**. Through our inquiry reports and research outputs the Commission:

- explores the causes of New Zealand's weak productivity performance;
- identifies the barriers to higher productivity and wellbeing; and
- recommends policies to overcome those barriers.

In producing and publicising research and reports, the Commission aims to inform the public and decision-makers, promote debate, and encourage the adoption of policies that contribute to the achievement of our outcomes. To do this effectively, the Commission must be rigorous, trusted and a skilled communicator. Our outcomes framework illustrates how we expect to make a difference, along with the core capabilities and the reputation we wish to develop.

Productivity operates at many levels, with many influences which may operate over long and variable time frames. For those reasons, it can be challenging to identify

OUR OUTCOMES FRAMEWORK

Outcomes for New Zealand

Lift the wellbeing of New Zealanders

Lift New Zealand's productivity

How we make a difference via a wide range of government and non-government activities

Our impacts

Policies and behaviours change as a result of the Commission's work

 Generating discussion and debate

 Levels of engagement and response

What we do

Undertaking inquiries

 Publishing research

 Promoting understanding

We want to be known for

Deep productivity knowledge

 High-quality, evidence-based analysis

 Skilful communication

 Participative processes

 Even-handed non-political approach

 Workable advice

Our core capabilities

Sourcing information

 Economic analysis & research

 Process management

 Engagement

 Communications and influencing

changes in productivity performance or wellbeing that can be directly attributed to our work as distinct from the many other factors that influence productivity performance.

Central to our impact and influence is the Commission's comprehensive public engagement process. During each inquiry, the Commission engages widely with a diverse group of interested parties. The participative nature of our inquiries means that stakeholders can have a direct input and influence on the Commission's recommendations – both draft and final. The Commission can meaningfully engage with interested parties on specific policy issues and test ideas for improvement. Identifying areas in which policy settings can be made better to enhance productivity and wellbeing is at the heart of the Commission.

How we measure progress: our evaluation against the framework

The topics we work on, the types of analysis we conduct, and the range of community and industry groups we need to engage with change significantly from year to year. It is difficult to capture this diversity of work and effort in fixed quantitative targets, so the Commission takes a strong evaluative-based approach to measuring our performance.

For inquiries, an independent evaluation takes place after each has been completed. For our Economics & Research function, an independent review takes place every two years and evaluates work during that period.

To ensure comparability, the evaluations use the same output measures, whilst ensuring flexibility for other feedback.

Our evaluation methods

Independent expert review by someone with significant policy and/or productivity research experience, who is familiar with our role and functions.

Survey of external participants using a set of questions covering multiple aspects of our work, such as the quality of our analysis and clarity of our communication.

Stakeholder focus group(s) of about 6–10 attendees from different backgrounds, independently facilitated and without Commission attendance.

Monitoring external feedback and internal workflow processes to capture, share and evaluate feedback received and external responses to our work (in the media, Parliament etc).

[Note: all performance evaluations are published on our website.]

Our output measures

Intended impacts – what happens because of our work

Right focus – the relevance and materiality of our inquiry and research reports

Good process management – the timeliness and quality of our work

High-quality work – the quality of our analysis and recommendations

Effective engagement – quality of engagement with interested parties

Clear delivery of message – how well our work is communicated and presented

Overall quality – the overall quality of the work considering all factors

Where we evaluate: our approach to performance measurement

The Commission is an independent research and advisory body. We do not run nor implement policies or programmes. The Government is under no obligation to implement Commission recommendations nor to respond to our reports. We rely solely on the power and communication of our ideas and analysis to influence and shape policy. This influence may be direct and immediate (eg, through academic, community, public and political recommendation) or it may occur over longer periods after policies are adjusted or adopted.

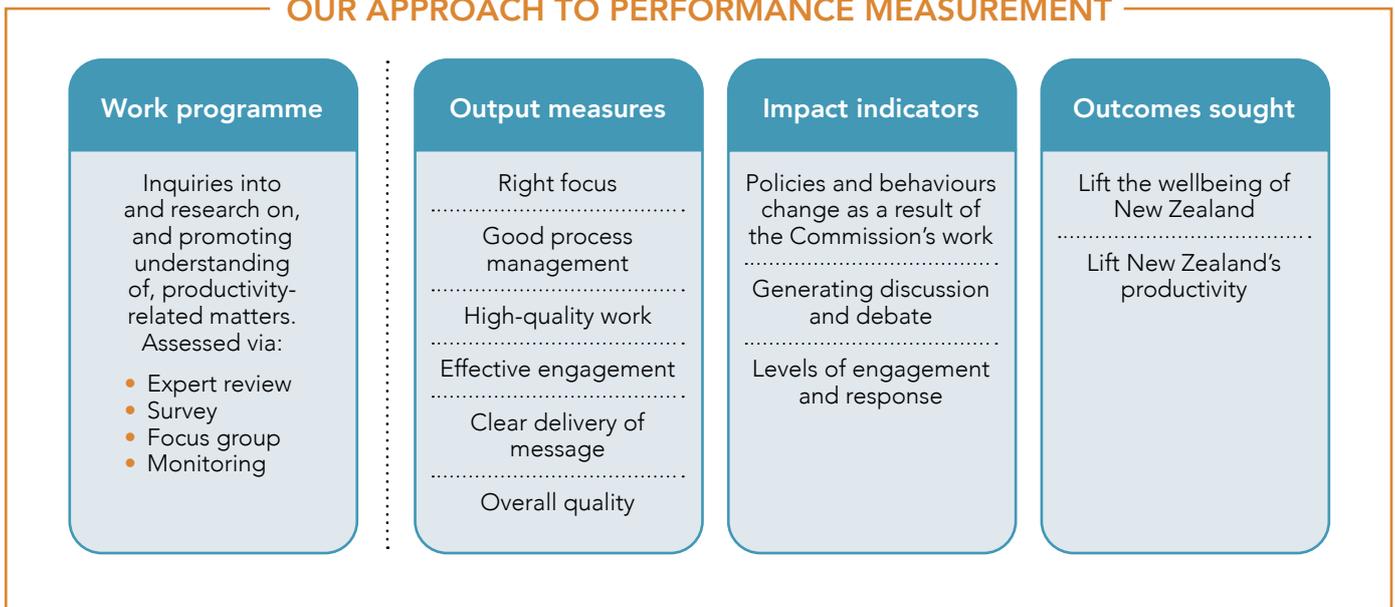
It is not enough for the Commission to simply produce reports. The analysis and commentary in our reports should be disseminated, understood and influence policy and other behaviours so that, in the long term, productivity improves.

It is within this context that we discuss the impact of our work across the following three performance indicators:

- **Levels of engagement with, and responses to, our work.** We particularly look at feedback indicating that our work plays a role in increasing the quality of analysis and advice overall on the topics of, and issues involved in, our work.
- **Discussion and debate is generated from our work.** We would like to see increased and wide-ranging discussion and debate by diverse voices. Our reporting looks at evidence of our work being used by influencers, particularly those providing commentary on, or input into, policy and how and where our work is cited in those discussions.
- **Policies and behaviours change as a result of our work.** We believe that a greater understanding of our work will see a better uptake and understanding of our recommendations. This in turn will contribute to better decision-making on policies and programmes that can improve productivity and wellbeing.

Given the above, our approach to performance measurement can be summarised as follows:

OUR APPROACH TO PERFORMANCE MEASUREMENT



Our performance this year

Reporting on our outcomes

Lifting the wellbeing of New Zealanders and lifting New Zealand's productivity

The Commission's purpose is to help lift productivity for the purpose of improving the wellbeing of all New Zealanders. Our inquiry, research and outreach work is all directed to that purpose. Assessing the impact of our work is no simple matter, especially given the broad influences at play at any time. Achieving policy impact and progress on New Zealand's productivity and wellbeing performance may only emerge over long timeframes. To report on our strategic outcomes, we therefore focus on what analysis and advice we undertook this year that contributed to increasing the understanding of New Zealand's productivity challenges.

Understanding New Zealand's productivity performance, and how to best improve it, requires practical insights into the economy. New Zealand is not a typical OECD economy and our path to success differs to that of larger, more competitive and centrally located economies. It is therefore necessary to dig-deep into understanding the factors that prevent people, firms and government from reaching their productivity potential. There is no single prescription and the issues are both structural and policy related.

This year the Commission focused on deepening our understanding of industries, competition and the labour market. We published nine research papers: five by researchers at the Commission and four by contracted researchers from other institutions (Kōtātā Insight, Landfall Strategy Group, Motu, Schiff & Singh). Six of the papers contributed to the understanding of factors that influence productivity, such as trust, competition and job creation, and the others contributed to particular issues that arose in

inquiries eg, local government performance, attitudes to technology and exporting firms.

The commissioning of research and the practice of collaboration with external agencies is important to us. It enables us to access a wider range of expertise and skills and allows us to benefit from the cross-promotion of ideas and insights. This year, for example, our work on competition was funded by the Commission together with MBIE and Treasury, with project advice from the Commerce Commission and Stats NZ. It was seen as "impressive bodies of work" by the expert reviewer.

Our researchers continued to use the Stats NZ Longitudinal Business Database (LBD). It helped broaden our understanding beyond what is possible using aggregate and industry-level data. We had to reduce networking events for LBD researchers due to budgetary constraints. However, we made our Data Lab available to other government agencies and university researchers. This helped to foster relationships with a wide and diverse group of researchers.

We stopped facilitating the Productivity Hub of the Government Economics Network. We found that some government agencies had scaled back their involvement with the Hub and their associated research capacity. This made the Hub no longer effective nor sustainable. This changed our engagement with public sector staff working on productivity, but we continued to engage with senior analysts and researchers in MBIE, Treasury, and Stats NZ through a variety of other processes eg, our Economics & Research Director keeps up to date with MBIE research priorities and requirements through regular meetings with MBIE's Strategic Policy Research team.

Examples of our work contributing to lifting New Zealand's productivity and wellbeing

Competition

Features of New Zealand's economy, being remote with relatively small markets, do not naturally lend themselves to intense competition. [Our research](#) found that features that mark out high productivity industries – scale, capital intensity, export activity, connections with global value chains – do not exist in large parts of New Zealand's services sector. The economic costs of this go beyond services themselves and can have important indirect effects, like income inequality and slow technological diffusion. We recommend continuing to refine competition law (to prevent the misuse of market power), addressing occupational regulations (role of professional bodies in supporting competitive market entry) and addressing search and switching costs.

Local government funding

Local government in New Zealand has both narrow scope and a limited funding base compared to many other high-income countries. [Our research](#) found that a wider scope for local government – particularly including education, health and other social services – requires both broader funding bases and greater contributions from central government. Even so, comparisons with Sweden show that in countries with a much wider scope for local government, the central government continues to exercise significant influence over the design and operation of many local services. It also plays a major role in redistributing funding across local government to reflect differences in revenue-raising capacity and need.

Technology and markets

International research shows how the effects of changes in technology and markets vary across countries. Understanding this regional dimension can help explain New Zealand's aggregate productivity performance and areas for improvement. Our paper [New jobs, old jobs](#) showed how the decline of manufacturing and the increasing importance of several new service industries has tended to favour big cities. The economies of most towns and cities have become less reliant on specialist industries and more like each other, which has implications for regional labour mobility and government policy.

Labour market

New Zealand's economy has a relatively low productivity premium associated with its largest city, Auckland. Analysis of linked employer-employee data allowed us to examine the role of job-to-job transitions in influencing inequality, regional productivity, wage growth and the impact of house prices on worker mobility. [Our research](#) found that the proportion of workers continuing in their jobs, changing jobs or exiting or entering the workplace is quite similar across all size cities. If workers move to other locations, including Auckland, the wage premiums they earn on average are not particularly large (1.4%). Increasing house prices in the destination city relative to the origin city is not associated with slower worker mobility.

Trust and total factor productivity

The role of trust is of interest for monitoring sustainable development and thinking about issues of growth, consumption and wellbeing. [Work we commissioned by Kōtātā Insight](#) showed that New Zealand is one of the highest trust countries in the world, leaving little room for improvement. However, trust levels vary within New Zealand and there is significant scope for deterioration. Trust is the best available measure of social capital and substantive engagement at a policy level would be valuable.

Exporting firms

Evidence suggests that in many industries in New Zealand there is a significant gap between the highest-performing firms in the domestic and in the global frontiers. Few New Zealand firms are at the global productivity frontier. [Research we commissioned by Dr David Skilling](#) found that small economies can be high-performing and have better economic and social outcomes than their larger peers. Yet, compared to other small advanced economies, New Zealand has few large exporting firms. Domestic markets are too small to provide economies of scale, drive competitive behaviour, and incentivise businesses to invest upfront in the innovation, capital and skilled labour that are needed to increase their productivity. The research suggests that New Zealand needs to foster stronger international links and generate scale via exporting.

Reporting on our impact indicators

Impact indicator 1: Policies and behaviours change as a result of our work

The most direct measure of the Commission's impact is the proportion of our inquiry recommendations that are implemented by the Government. The Government is under no obligation to implement our recommendations nor to respond to our reports. However, in practice and in most cases, the Government has issued formal responses to inquiry reports, specifying which recommendations it agrees with and will implement.

It would be unrealistic and probably undesirable to expect all inquiry recommendations be accepted. As an independent organisation with a strong focus on the public interest, the Commission should push the boundaries on complex issues. Done well, our research and inquiry reports should spark a recalibration of thinking within relevant agencies and stakeholders. We can put difficult issues on the agenda and encourage discussion and action on topics that other agencies consider too sensitive. The Commission has and will continue to test ideas and challenge the status quo in the interests of improvement

– provide the best advice, rather than the most palatable.

The Commission has now completed 14 inquiries with final reports that contained a total of 590 policy recommendations. There has been no formal response to date from the Government to this year's completed inquiries on *Local government funding and financing* and *Technological change and future of work*. Overall, the Government has formally responded to 10 out of our 14 inquiries, with three-quarters of the recommendations being accepted in full or in principle/partly agreed.

While the number of recommendations agreed and implemented is one measure of impact, influence may also be seen in more subtle ways. Our reports often inspire ideas, analytical techniques or debate. We are aware of, without being able to specifically measure, the extent of such influence. There is also an extended lag between our work in some fields and the emergence or enactment of policy ideas that can be sourced in inquiry reports of years earlier.

Examples of our recommendations being explored, agreed, and implemented during the year

Climate change

In August 2019, the Government announced a Climate Action Plan and released its response to our 2018 Low-emissions economy report. Cabinet agreed to 43 of our recommendations; agreed to investigate a further 33; and rejected one recommendation. There was progress on the following areas we recommended:

- The Zero Carbon Bill passed into law. It set targets for New Zealand greenhouse-gas emissions and set up the Climate Change Commission and emissions budgets.
- The Emissions Trading Scheme is being reformed following the passage of the Climate Change Response (Emissions Trading Reform) Amendment Act.
- The Government released a paper to encourage action on [climate-related financial disclosures](#).
- The Government proposed to increase the landfill levy and apply it to more types of waste.

Regulation

In December 2019, the Minister of Finance announced plans to reform the governance and accountability arrangements of the Reserve Bank of New Zealand in line with recommendations from our 2014 *Regulatory institutions and practices* report. At the [first reading of the Secondary Legislation Bill](#), Hon Tim Macindoe informed Parliament it reflected work of the Productivity Commission, amongst others. MP Paulo Garcia also noted this bill was a result of inquiries by the Productivity Commission and Regulations Review Committee.

Trans-tasman single economic market

In September 2019, Australian and New Zealand Ministers met to advance the Single Economic Market agenda. The Ministers noted progress on our 2019 *Growing the digital economy* report. They are collaborating on:

- A trans-Tasman innovation ecosystem
- Development of emerging technologies eg, AI.
- Advancement of economic integration in the wider region.

Resource management

In July 2019, the Government launched an overhaul of the Resource Management Act. Themes from our 2017 *Better urban planning* report and 2015 *Using land for housing* report were influential in the following:

- Kāinga Ora – Homes and Communities was established as a new Crown agency to transform housing and urban development.
- The Resource Management Review Panel published papers with multiple references to our work: [Transforming the resource management system](#) and [New directions for resource management in New Zealand](#).

Competition policy

In June 2020, the Government decided to reform section 36 of the Commerce Act to prevent the misuse of market power as per recommendations in our 2014 *Boosting productivity in the services sector* report.

In December 2019, the Government confirmed it will improve competitiveness and transparency in the retail fuel market (after findings of a market study by the Commerce Commission). We recommended that the Commerce Commission should have the power to conduct market studies in our 2014 *Boosting services sector productivity* report.

Competition in international shipping

In August 2019, a new competition regime for international shipping came into force. This was in line with the Commission's recommendation in its 2012 *International freight transport services* report that the existing exemption from the Commerce Act of vessel sharing agreements should be ended.

Infrastructure funding and financing

In December 2019, Special Purpose Vehicle legislation was introduced to help councils fund and finance infrastructure for housing, as recommended in our 2019 *Local government funding and financing* report.

Public finance

In the [second reading of the Public Service Legislation Bill](#), Brett Hudson (National) referenced key findings from our 2019 *State sector productivity* report.

The Commission looks for evidence of our work in increasing understanding of productivity-related matters. We consider this a precursor to better uptake and understanding of our recommendations that will ultimately lead to better decision-making on the policies and programmes

that could lead to improved productivity and wellbeing. We mainly look for this evidence via our evaluations (participant surveys, independent expert reviews and focus groups), but also by observing data around our connection and communication with audiences interested in our work.

Examples of where our work increased understanding of productivity-related matters

89% of participants agreed, or strongly agreed, that research published by the Commission had *“increased their understanding of productivity-related topics/issues”*. One commented that: *“The Commission has a valuable role to inform and does that well.”**

The expert review of the **Economics & Research function** noted that: *“Investment by the E&R team in building research capability and a network of researchers and promoting the application of the Longitudinal Business Database, has advanced core research on understanding the characteristics and productivity performance of New Zealand firms, and has advanced understanding of the relevant policy issues.”*

75% of survey participants for the **Local government funding and financing inquiry** considered that the inquiry had increased their understanding ‘a little’ or ‘a lot’ of the funding pressures facing local government.

The focus group evaluation noted that there were divergent views on the impact the inquiry would have. Some felt it had provided an important foundation for further needed reforms, whereas others felt it had been a missed opportunity.

92% of survey participants for the **Technological change and future of work inquiry** considered that it had increased their understanding ‘a little’ or ‘a lot’ of policy changes to better prepare current and future New Zealanders for the future of work. The interview-based evaluation noted that the Commission’s work had helped to dispel undue worry about the impact of technology on the future of work: *“The findings were a really useful correction to the public narrative about the future of work.”* And *“The Commission really dug into the issues and busted a few myths.”* However, some thought the Commission had missed an opportunity to be bolder and move issues forward.

* 2019–20 Economics & Research survey

Impact indicator 2: Discussion and debate is generated from our work

Where our work generates discussion and debate we are interested to see the diversity of voices in that debate, how our work is being used by people (influencers), particularly

those providing commentary on, or input into, policy. We look at how and where our work is cited in Parliament, by academics, industry-commentators and the media.

Examples of our work generating discussion and debate, including in the media

The Commission's work was referenced in 10 academic reports and **referenced 221 times in parliamentary debate** this year. At the second reading, for example, of the Rates Rebate Amendment Bill, Agnes Loheni (National) asks "*...why did the Minister not take into account the New Zealand Productivity Commission inquiry [on state sector productivity], which was just in November last year, and their final report? ... this bill should have perhaps waited and we could have had a look at that Productivity Commission report and look at a wider overhaul of the system...*"

Media monitoring of responses to, and feedback on, the final report of the **Local government funding and financing** inquiry in the two weeks following its public release on 12 December 2019 identified a total of 49 news items across print, broadcast, and internet media sources. Coverage tended to be favourable or neutral (34 items) ie, without expressing a favourable or unfavourable view. Where there were negative reports, these centred around rates, bed tax and "playing-it-safe" (LGNZ 18 Dec 2019). The report also generated 1 225 impressions on social media which generated 49 engagements (ie, likes, re-tweets, replies).

For our **Technological change and future of work** inquiry, several senior officials from Treasury and MBIE commented that the shorter reports both helped inform policy development and educate agency staff. In terms of media coverage, the first two draft reports were promoted (*New Zealand, technology and productivity and Employment, labour markets and incomes*) and gained reasonable coverage, with 31 and 30 news mentions respectively (eg, online, radio, newspaper, etc). We did no media releases for the third, fourth or fifth draft reports released around the Christmas and New Year's period (7 items). The final report was published on 14 April 2020 when New Zealand was in COVID-19 Alert Level 4 lockdown. There were

21 mentions of the report in the news between 14 April and 30 June 2020, with all items reporting a neutral view. Recommendations for "income smoothing" solutions to assist the unemployed were particularly relevant to the impacts of COVID-19 and our report received more coverage in the media, for example in early August 2020 (5 items).

Our 2018 Low-emissions economy report continues to generate notable coverage with 198 news items this year (eg, online, radio, newspaper, etc).

We continue to explore new ways of reaching and engaging with audiences. This year we launched two blogs to share our perspectives and generate discussion:

- The *FutureworkNZ blog* received 18 153 unique views and reached over 200 000 people via social media (LinkedIn and Twitter). The team published 86 posts and generated 48 blog comments over a 9-month period (May 2019 to February 2020).
- The *Pandemic-economics blog* had 25 posts over a 3-month period, receiving 9 400 unique views.

For the **Frontier firms inquiry**, the team published a series of opinion-editorials on interest.co.nz. These achieved an average of 725 reads and 10 comments per article.

This year each **new research publication** was shared on social media (LinkedIn and Twitter) to help reach interested parties. In May 2020, for example, posts about new publications achieved 7 300 impressions on Twitter which in turn generated 156 engagements (ie, likes, shares re-tweets, replies). A media release was sent out in October 2019 on the release of our **New jobs, old jobs** paper and generated 10 unique news items. The independent expert review noted this paper's "*excellent quality*" and "*rich insights*" that should be "*valuable for business decision-makers*" and for public policy.

Impact indicator 3: Levels of engagement with, and responses to, our work

Our impact reporting is also interested in the levels of engagement with, and responses to, our work – particularly in regard to feedback indicating that

our work plays a role in increasing the overall quality of analysis and advice on productivity issues from our work.

Examples of where our work improved analysis and advice

The independent expert review of the **Local government funding and financing** inquiry found that:

“Most of the guidance and recommendations contained in the inquiry report should provide both local and central government a clear basis for a work programme focussed on addressing the main inquiry findings. Where there continues to be divergent views on approach the inquiry report should, nevertheless, be an important and very useful resource to support ongoing conversations in this area.”

Further, the Chair of the Local Government Business Forum noted that:

“Most if not all of the 45 recommendations made in the 355-page report would make useful improvements to the system of funding and financing local government.”
(12 December 2019)

For the **Technological change and the future of work** inquiry, survey data indicated that 77% of inquiry participants agreed that the inquiry has helped set or lift the standard in

New Zealand for high quality analysis and advice on this subject. The independent expert review noted that:

“The work and analysis was high quality. The breadth and depth of research drawn on is impressive while the new research commissioned filled important gaps. The result is a valuable resource for thinking about the future of work in New Zealand.”

For our **Economics & Research (E&R)**, the independent expert review found that:

“Investment by the E&R team in building research capability and a network of researchers and promoting the application of the Longitudinal Business Database (LBD), has advanced core research on understanding the characteristics and productivity performance of New Zealand firms, and has advanced understanding of the relevant policy issues. This investment has also benefitted Productivity Commission inquiries and capability in policy agencies (such as MBIE) and beyond the public sector.”

We are also interested in understanding how our work is used over time and its relevance as a resource for others.

Examples of the quality of our analysis and advice and how our work will act as a future resource and reference

For the **Local government funding and financing inquiry**, there was praise for the “quality” of the issues presented. BusinessNZ commented in their submission:

“The quality of the Commission’s work on a range of matters sets a benchmark to which other central and local government agencies should aspire”.

Survey data indicated that a high proportion of participants would use our final reports as a resource and reference in the future: 76% for local government inquiry, 91% for future of work inquiry and 88% for research reports. Survey comments on research reports included:

“Every paper I read I tend to find useful. I’m a bit selective about which papers I download and read. When I do, however, they stay with me, get filled with highlights and notes and end up referenced in emails, presentations and conversations. They are a big part of shaping my view.”

“... they [reports] do allow me to engage more pro-actively with the policy focused teams at Treasury. I find your topics and insights well considered and well presented.”

The expert review of the **Economics & Research team** found the quality of research to be of “a very good standard” and research “utilised by inquiries are having an influence on the quality of the inquiries”. They assessed the quality of **Productivity by the numbers: 2019** and found it “valuable from several perspectives”. Eg, educationally as it explains the basics of productivity measurement and the welfare benefits of improved productivity; and as a monitor of dimensions of productivity performance it serves as an accessible resource for policy makers and observers of the New Zealand economy. They suggested that this annual publication could be exploited more, potentially alongside other special topics on productivity or policy drawn from the Commission’s work.

We also consider what our performance evaluations say about the ability of our work to generate discussion and debate...

Examples of the ability of our work to generate discussion and influence debate (as identified by independent experts)

The independent expert review of the Local government funding and financing inquiry noted “... the final report is an important resource that will be very useful in supporting ongoing conversations in this area”. Also, that it has “... provided a platform for continuing discussion and analysis”.

Similarly, the independent expert review of the Technological change and future of work inquiry noted “the inquiry is a highly valuable contribution to the debate on the future of work in New Zealand”. They noted that the final report was published when COVID-19 dominated public debate and so it made it more difficult for the important messages of this work to be heard. They saw that the Commission “clearly did a lot” to raise awareness, for example via five

draft reports, the blog and social media outreach, but engagement was relatively low. They suggested this could be due to the Commission’s economic and policy framing of the reports that under-engaged businesses and start-ups. Also, that young New Zealanders who might be most concerned with the future of work, might need to be communicated with differently eg, via events at tertiary institutions.

The expert review of the Economics & Research team found that the communication of research has “continued to be very good”. They suggested that select research papers would benefit from submitting to peer reviewed research journals and to international research repositories (IDEAS) to enhance their global reach and opportunities for collaboration.

... and monitor how our work reaches and engages audiences through our communications.

Examples of our audience reach and engagement

This year there were 1 159 news items with mentions of the Commission across all media channels (ie, online, print, blogs, speeches, media releases), down 11% from last year when the *Low-emissions economy inquiry* attracted high coverage. We had 6 opinion-editorials published across the year eg, in NZ Manufacturer, NZ Herald, NBR, Interest. The last three opinion-editorials in Interest achieved an average of 725 views and 10 comments.

Our stakeholder database continues to grow and includes 4 439 individuals, up 10% from last year. We keep stakeholders up to date via newsletters (37.6% average open rate), as well as inquiry (36.3% open rate) and blog-specific emails (39.6% open rate).

We built our social media presence this year with posts on our inquiry and research work. On *LinkedIn*, our followers increased by 52% this year (to 1 424 followers) and by 10% on *Twitter* (to 2 612 followers).

We extended our inquiry communication channels by launching a *FutureworkNZ blog*. The blog provided a platform to help “tell our story” and share insights from the future of work inquiry at regular points instead of focusing communications around the

release of reports. It also allowed for more specific and speculative ideas to be shared and encouraged public feedback. The team published 86 blog posts over a 9-month period, generating 48 blog comments and 18 153 unique web views between May 2019 and June 2020. The blog was syndicated on Sciblogs where it received 3 423 unique views. Requests to republish posts were received and posts republished on LSE Business Review, Management Magazine and NZ Herald’s AgriBusiness report. A post was also quoted in MBIE’s report ‘Medium to long-term employment projections: Looking ahead to 2028’.

As part of our work on COVID-19, we set up a *Pandemic-economics blog* to share insights and generate discussion on policy responses. The team published 25 posts over a 3-month period, receiving 9 400 unique views. Posts on CovidCard were quickly picked up by Radio New Zealand and Newsroom.

We also produced two short videos (1 137 and 907 views) to provide another channel for audiences to connect with our inquiry into *Technological change and the future of work*. These were released at the start of the inquiry to summarise key insights and call for submissions.

Our work continues to generate significant public interest and engagement. This year we accepted numerous invitations to speak at events about our inquiry work, as well as productivity more generally. This shows widespread interest in raising New Zealand’s productivity and wellbeing, and in the Commission’s role.

Examples of engaging with a range of audiences through our speaking programme

Topic	Event/presentation
Low-emissions economy	<ul style="list-style-type: none"> BWB Talk: Climate Crisis and Revolution – Politics and practicalities of the low-emissions transition (July 2019) Auckland University Energy Centre Summer School (February 2020) IAEE Asia-Oceania conference – Energy in Transition (February 2020)
Local government funding and financing	<ul style="list-style-type: none"> Water New Zealand Conference & Expo (September 2019) Economic Development New Zealand Conference (October 2019) Road Controlling Authorities Forum (November 2019) Institute of Public Administration New Zealand (November 2019) Australasian Property Tax Summit (November 2019) Local Government New Zealand Strategy Day (December 2019) Government Economics Network Conference – The role of regional and urban development in lifting living standards (December 2019)
Technological change and the future of work	<ul style="list-style-type: none"> MacDiarmid Institute Alumni – The future of work (October 2019) Itx Conference, Nelson – Should we fear the robots... or be worried they won't arrive? (October 2019) University of Auckland – The future of work in Aotearoa: what future for the young? (October 2019) Commerce Commission seminar (October 2019) Australian Productivity Commission seminar (February 2020) Curtin University, Perth – Future of work workshop – Robots and jobs (February 2020)
Labour market	<ul style="list-style-type: none"> AUT, Job-to-job transitions and the regional job ladder (November 2019) Association of Academic Historians in Australian and New Zealand Business Schools conference – Old jobs, new jobs (November 2019)
Productivity	<ul style="list-style-type: none"> Wellington Probus Club (October 2019) Economic Development New Zealand forum – Productivity in Waikato (February 2020) Wellington Club webinar – Productivity in a post COVID-19 world (May 2020) FinTech and 4 Day Week Global webinar – Productivity in NZ post-Covid-19 (May 2020)
Competition, policy, lobbying	<ul style="list-style-type: none"> Commerce Commission Conference – Why competition matters (July 2019) Auckland University competition – Make a difference with economics (August 2019) New Zealand Agricultural & Resource Economics Society Conference – Policy and planning under uncertainty (August 2019) Institute of Public Administration New Zealand – Lobbying (November 2019)

Ongoing inquiries into productivity

In December 2019, the Government assigned the Commission a new inquiry into *Maximising the economic performance of New Zealand's frontier firms*. We released an [issues paper](#) and [call for submissions](#) in April 2020 which generated 33 submissions. Further analysis and specialist advice is informing our draft report which will be released in November 2020. A final report is due in March 2021. This inquiry is investigating

the drivers that could lift the productivity of New Zealand's most productive firms closer to global best practice, while raising the performance of other firms in their sectors.

We are currently working with Treasury on a range of future inquiry topics with strong productivity orientation. The final selection of topics will be decided by Ministers post-election.

2019–20 Statement of performance

Our approach

To tell our performance story, we use a strongly evaluative approach. We believe this method best aligns with the nature of our work. Our work programme and the associated analysis and groups we engage with change significantly from year to year. It is therefore difficult to capture the diversity of our work and effort in targets.

For our research and inquiries, we collect qualitative and quantitative information through independent expert evaluations, participant surveys and focus groups or interviews. These sources provide us with useful insights into our progress and performance.

Our performance is measured against three broad impact indicators:

- Policies and behaviours change as a result of our work;
- Discussion and debate is generated from our work; and
- Levels of engagement, and responses to, our work.

Output measures are grouped under the following six categories:

- Right focus;
- Good process management;
- High-quality work;
- Effective engagement;
- Clear delivery of message; and
- Overall quality.

This year we completed two inquiries, *Local government funding and financing* (November 2019) and *Technological change and the future of work* (March 2020).

This section reports on the performance evaluation material for these inquiries, as well as the evaluation of our Economics & Research function.

Participant surveys were conducted using SurveyMonkey online survey software with responses collected anonymously. There were:

- 101 respondents to the *Local government funding and financing* survey out of 742 invitations, making a 14% response rate with a 9% margin of error;
- 106 respondents to the *Technological change and the future of work* survey out of 440 invitations, making a 24% response rate with an 8% margin of error; and
- 114 respondents to the *Economics & research* survey out of 1 019 invitations, making a 11% response rate with a 9% margin of error.

All the evaluation reports and survey responses are available on our website under the associated [inquiry](#) or [research](#) pages.

Impact of COVID-19

There was little, or no impact, on the reporting of our performance this year as a result of COVID-19. However, the Commission anticipated receiving two new inquiries in 2020. We received one inquiry, *New Zealand's frontier firms*, but the Government refrained from assigning us a second as its attention was fully occupied by the COVID-19 crisis. Instead we assisted the Treasury in providing advice to the Government on COVID-19 policy work.

Assessment of local government funding and financing inquiry

Impact measured: Policies and behaviours change as a result of the Commission's work

Assessment method: Survey results, independent expert review and focus group report	
Commission recommendations agreed, implemented and explored further	
How many recommendations were agreed and implemented? How fully were the recommendations implemented or actively explored by the relevant policy makers?	There has been no formal response from the Government, so we have no information on recommendations agreed or implemented.
Understanding of productivity-related matters increases	
Survey results:	<ul style="list-style-type: none"> • 75% of participants considered the inquiry had increased their understanding of <i>"the funding pressures facing local government"</i> at least a little. • 69% considered that the inquiry had increased their understanding of <i>"how councils can improve the use of their existing funding tools"</i> at least a little. • 64% considered that the inquiry had increased their understanding of <i>"How councils can improve the way they conduct business"</i> at least a little. • 76% considered that the inquiry had increased their understanding of <i>"The challenges that Central Government and Local Government face in adapting to climate change"</i> at least a little.
Expert reviewer (Gus Charteris) and focus group commentary:	<p>The expert reviewer noted: The inquiry process and final report has provided a platform for continuing discussion and analysis. It has outlined that there are no quick and easy fixes when you apply commonly agreed funding principles to the issues. A useful challenge has been set around doing the longer term (and harder) work on improving governance and regulatory practice and using existing tools more effectively. This will build trust in the system – with the community and with Central Government.</p> <p>The focus group facilitator noted: One commented they expected to draw on the Commission's analysis in future submissions on local government reform. However, many others felt the analysis was incomplete. A key blockage, it was felt, was the mismatch between the self-interest of local decision makers and the public interest. More generally, it was suggested the Commission did not fully appreciate the importance and nature of the incentives shaping outcomes in local government.</p> <p>A better understanding of incentives on local government should have led to an examination of short term political economy factors (passing the cost to the next generation) and moral hazard risk (if it gets too bad central government will step in and fix it) for example.</p> <p>Instead, it was felt the inquiry approach of encouraging local government to try harder, aided by tools to promote local government capability and accountability to ratepayers missed the mark.</p>

[NB: Survey results are based on a sample of 101 respondents.]

Assessment of local government funding and financing inquiry

Impact measured: The Commission's work generates discussion and debate

Assessment method: Monitoring of responses to, and feedback on, the inquiry	
Third party commentary and reporting in the media	
<p>Nature of comment (eg, favourable, unfavourable, neutral)</p> <p>Who commented</p> <p>How many people/groups commented</p>	<p>Media monitoring of responses to, and feedback on, the inquiry's final report in the two weeks following its public release on 12 December 2019 identified:</p> <ul style="list-style-type: none"> A total of 49 news items across print, broadcast, and internet media sources: 20% presented a favourable view of the report and its findings and 31% were less favourable. 49% of the items were neutral, ie, the findings and recommendations were highlighted without expressing a favourable or unfavourable view. The business community was pleased with a "comprehensive" report, whereas the tourism industry was negative about an accommodation levy not being supported. Councils were supportive, but some wanted more. Some found it "underwhelming" with a "play-it-safe approach" that "doesn't move the dial enough". 780 Twitter impressions (ie, the number of times content related to the report was displayed) which generated 12 engagements (ie, 'likes', re-tweets, replies); the report generated 445 impressions on LinkedIn with 37 engagements.
Citing of the Commission's work in Parliament, Select Committees, academic or other literature	
<p>Work cited by MPs in Parliament, Select Committees, Ministers, academic or other literature</p>	<p>The inquiry report was cited in the following Policy Quarterly articles:</p> <ul style="list-style-type: none"> From localism towards localism: a personal journey of policy discovery Policy Quarterly by Oliver Hartwich (May 2019) Is Australian Local Government ready for localism? By Graham Sansom (May 2019) Where are the locals? By Colin James (May 2019) Measuring the effectiveness of New Zealand's Local Government by Peter Hodder (August 2019) <p>The Controller and Auditor-General published their <i>Insights into local government: 2019</i> report with several references to the local government inquiry.</p> <p>The Commission was mentioned several times by MPs in parliamentary debate around the Rates Rebate (Statutory Declarations) Amendment Bill. This Bill was passed in July 2020.</p> <p>In questions to Ministers in Parliament (15 October 2019) the inquiry report was mentioned by Hon Nanaia Mahuta: "we're considering that report and will respond in due course to the cost pressures facing councils".</p> <p>In comments on the Government's three waters review, Hon. Shane Jones said that consultation has identified "the need for better collaboration among councils to manage looming costs" and he expressed support for a "dramatic and systemic change" of approach.</p>

Assessment of local government funding and financing inquiry

Impact measured: Levels of engagement and response with the Commission's work increase

Assessment method: Survey results, independent expert review and focus group report	
Productivity analysis and advice improves	
Survey results:	<ul style="list-style-type: none"> • 62% of inquiry participants agreed, or strongly agreed, that "the inquiry has helped set or lift the standard in New Zealand for high quality analysis and advice on local government funding and financing". • 76% agreed, or strongly agreed, that "I will use the inquiry report as a resource and reference in the future". <p>One person commented:</p> <p><i>"The Commission has produced a comprehensive review that should prove to be a useful reference on funding and financing issues. A final thought is that some ranking of the recommendations across the board (what matters most / should bring greatest gains) might help gain traction and focus the Government response."</i></p>
Quality of analysis and advice in the inquiry and if inquiry reports will serve as a resource and reference in the future	
The expert reviewer (Gus Charteris) noted:	Most of the guidance and recommendations contained in the inquiry report should provide both local and central government a clear basis for a work programme focussed on addressing the main inquiry findings. Where there continues to be divergent views on approach the inquiry report should, nevertheless, be an important and very useful resource to support ongoing conversations in this area.
The focus group facilitator (David Pickens) noted:	<p>For the most part, participants felt the inquiry analysis was of a high quality, well-grounded and logical, but only as far as the analysis went. Others felt the analysis was incomplete, neither deploying useful approaches, covering the topics that needed to be covered nor going into as much detail as needed. A number of participants felt there were a number of fundamental problems in local government that could have been more thoroughly addressed in the inquiry, problems they felt would become more costly to address over time.</p> <p>Many felt the inquiry provided a solid foundation for future reforms. There was <i>"fire in the belly"</i> to take it further. Others felt it would have little impact. There was concern that if the Commission didn't facilitate further conversations, opportunities for addressing important issues would be lost.</p>

[NB: Survey results are based on a sample of 101 respondents. Where respondents answered "Don't know" these responses are excluded from the results.]

Assessment of local government funding and financing inquiry

Output measured: Right focus

Assessment method: Survey results, independent expert review and focus group report	
Relevance and materiality of inquiry reports	
Survey results:	<ul style="list-style-type: none"> • 82% of inquiry participants agreed, or strongly agreed, that “the Commission sourced all relevant research and information”. • 79% agreed, or strongly agreed, that “the Commission engaged with the right people”. • 76% agreed, or strongly agreed, that “the inquiry report focused on the most significant issues to local government funding and financing”. • 70% agreed, or strongly agreed, that “the inquiry report went into sufficient depth on the issues it covered”. <p>One respondent commented:</p> <p><i>“The report may well act as a catalyst to start the process of essential change that is needed to a sector of the economy that does not operate as designed in legislation and that is obviously under efficient and in desperate need of radical change.”</i></p>
The expert reviewer (Gus Charteris) noted:	<p>The inquiry report achieves both the relevance and materiality measures in responding to the terms of reference. The report considered all issues within scope and did not wander unduly into issues/areas that were out of scope.</p> <p>Some stakeholders would have liked to have seen more on:</p> <ul style="list-style-type: none"> • Councils’ ability to develop their own funding tools on the basis of community support rather than requiring legislative fiat from Central Government (CG). • The potential impact of the reintroduction of the “four well beings” and the local government role in supporting economic development funding. • The explicit and prevailing assumption throughout the analysis that funding from CG limits local autonomy and accountability constrains exploration of the role of CG funding. • Burden sharing with CG for financing things that CG has historically funded. • Ceiling on rates as a percentage of income and their effectiveness as a financing mechanism. • More detailed forecasting that brought together estimates of the key financing demands (eg, infrastructure provision for housing; climate change; 3-waters etc.) for a select number of councils, with an assessment of how these costs would translate to/impact on rates and the use of other funding tools.
The focus group facilitator (David Pickens) noted:	<p>Participants were positive about the capability, professionalism and focus of the inquiry team, commenting that:</p> <p><i>“We provided a rather pointed submission early in the process. Commission staff engaged well and addressed the issues. They are not stuck in their views as can be the case with other government agencies.”</i></p> <p><i>“I found them proactive in their engagement, and genuinely wanting to know the views of stakeholders. They are very good, exemplars across government.”</i></p>

[NB: Survey results are based on a sample of 101 respondents. Where respondents answered “Don’t know” these responses are excluded from the results.]

Assessment of local government funding and financing inquiry

Output measured: Good process management

Assessment method: Monitoring of milestones, survey results, independent expert review and focus group report	
The extent to which inquiry issues papers, draft reports and final reports were delivered to schedule	
All external milestones communicated in the Commission's planning process are achieved:	The work programme was delivered on schedule with an issues paper in November 2018, draft report in July 2019 and final report in November 2019 (as per the terms of reference).
Survey result:	78% of inquiry participants agreed or strongly agreed that <i>"overall, they were satisfied with the Commission's process for running the inquiry"</i> .
The expert reviewer (Gus Charteris) noted:	The inquiry process was well-considered, providing a number of opportunities for interested parties to either help focus the analysis on critical aspects of the problem definition and/or provide feedback on the draft analysis and findings. The process was also designed to meet stakeholder needs and/or to mitigate the key risks associated with consultation processes. However, the Commission should consider the benefit of a more personalised approach in acknowledging submitter effort and engagement with the process.
The focus group facilitator (David Pickens) noted:	<p>There was very strong support for the Commission. Its people, processes, independence, and analysis and communication, for the most part, are viewed as exemplary across government in the eyes of stakeholders.</p> <p>Suggestions for process improvements included:</p> <ul style="list-style-type: none"> • Greater use of subject/sector specialists, earlier in the process • A stronger interface with government agencies early in the process (for example, to reduce duplication/make sure significant gaps are covered off); and at the end (making it easier for officials and Ministers to effectively engage in a timely manner) • More "circling back" to submitters • Specialist resource to aid selling to the media and public.

[NB: Survey results are based on a sample of 101 respondents. Where respondents answered "Don't know" these responses are excluded from the results.]

Assessment of local government funding and financing inquiry

Output measured: High quality work

Assessment method: Survey results, independent expert review and focus group report	
Confidence in inquiry findings and recommendations	
Survey results:	<ul style="list-style-type: none"> • 63% of inquiry participants considered the inquiry's "analysis of information" to be of good or excellent quality. • 48% considered the inquiry's "findings and recommendations" to be of good or excellent quality. [Note also that 80% rated the overall quality of the inquiry as acceptable, good or excellent.] • 77% of inquiry participants agreed, or strongly agreed, that "the Commission's recommendations follow logically from the analysis and findings". • 58% agreed, or strongly agreed, that "the Commission's recommendations would, if implemented, materially improve local government funding and financing". <p>Comments included:</p> <p><i>"Some commentators feel that the Commission was unduly restrained by terms of reference and didn't go far enough in certain recommendations..."</i></p> <p><i>"There is no doubt it is a well-written, easy to follow report. I consider that many of the things it says are sound, relevant and sensible. The issue is it did not address the core issues."</i></p>
The expert reviewer (Gus Charteris) noted:	<p>The inquiry report is a high-quality piece of analysis. It represents a detailed and robust assessment of a number of areas of concern facing local government. The inquiry team have made good and appropriate use of experts through the commissioning of specific analysis. This provides critical quantitative and qualitative analysis which supports the Commission's findings.</p> <p>There is a view in the local government sector that the final report missed an opportunity to really test some of New Zealand's 'sacred cows' eg, the ability of Councils to establish, with community support, their own funding tools and the use of GST raised locally as an incentive to invest in growth/wellbeing-enhancing activities.</p>
The focus groups facilitator (David Pickens) noted:	<p>There was considerable divergence in views on the value of the inquiry. Optimists viewed the recommendations as useful improvements to the system, and felt the analysis, conversation begun, and heightened expectation would prove useful for inquiries and work streams that would follow. Pessimists, however, considered it a wasted opportunity that would not go much further. They felt deflated by what they saw as more of the same old thinking that had come before.</p> <p>Most challenged the key inquiry conclusion that the existing tools for local government remained broadly appropriate. "They seem to have played it too safe".</p> <p>A strong theme was for the Commission to do more and for its influence to grow. Many felt it needed to be bolder and more influential like the Australian Productivity Commission. Also, it needed more promotion of government accountability on the inquiry's findings and recommendations.</p>

[NB: Survey results are based on a sample of 101 respondents. Where respondents answered "Don't know" these responses are excluded from the results.]

Assessment of local government funding and financing inquiry

Output measured: Effective engagement

Assessment method: Survey results, independent expert review and focus group report	
Perception of the quality of engagement by the Commission	
Survey results:	<ul style="list-style-type: none"> • 83% of inquiry participants agreed, or strongly agreed, that <i>“there was ample opportunity to participate in the inquiry”</i>. • 91% agreed, or strongly agreed, that <i>“the Commission was approachable”</i>. • 89% agreed, or strongly agreed, that <i>“the Commission communicated clearly”</i>. • 68% agreed, or strongly agreed, that <i>“the Commission understood their views”</i>.
The expert reviewer (Gus Charteris) noted:	<p>A broad range of stakeholders were engaged through the inquiry process. The level of engagement from, and with, local government and its representative bodies was high.</p> <p>Iwi engagement in the process was relatively limited. The Commission should consider an explicit engagement strategy for iwi in future reviews.</p>
The focus group facilitator (David Pickens) noted:	<p>Overall, interviewees were complimentary of the Commission’s engagement, commenting favourably, for example, on comparisons with other government agencies. A typical comment was: <i>“We enjoyed good meetings with the Commission. We were listened to and they understood the views submitted to them. They were open minded and pro-active.”</i></p> <p>One interviewee commented that engagement up to the issues paper had been good, but they would have valued greater “circling back” between the draft and final reports. Some also felt there was too little time for officials in government agencies to add value at the end of the process.</p>
Engagement meetings held and submissions received:	<p>The Commission considered 271 submissions, held more than 75 face-to-face meetings (with individuals, government and non-government organisations and firms throughout New Zealand) and carried out five case studies.</p> <p>An official’s forum (convened by DIA) was established to meet periodically with government agencies (DIA, MBIE, MfE, Treasury, Tax Working Group; Infrastructure Unit) to get updates on workstreams related to the inquiry that were being progressed across government.</p>

[NB: Survey results are based on a sample of 101 respondents. Where respondents answered “Don’t know” these responses are excluded from the results.]

Assessment of local government funding and financing inquiry

Output measured: Clear delivery of message

Assessment method: Survey results, independent expert review and focus group report	
Perception of how well inquiry work was communicated and presented	
Survey results:	<ul style="list-style-type: none"> • 98% agreed, or strongly agreed, that the “findings and recommendations were clear” • 93% agreed, or strongly agreed, that the “style of writing and language used was clear” • 89% agreed, or strongly agreed, that the “summary material provided was useful” • 96% agreed, or strongly agreed, that the “one-page brief was clear and easy to understand” • 95% agreed, or strongly agreed, that the “At a glance (4-page summary) was clear and easy to understand” • 95% agreed, or strongly agreed, that the “website was clear and easy to understand” • 96% agreed, or strongly agreed, that the “email updates were clear and easy to understand” <p>Comments included:</p> <p><i>“I consider the Productivity Commission’s publications to be an exemplar of simple clear writing style and effective summaries.”</i></p> <p><i>“Communication was excellent.”</i></p>
The expert reviewer (Gus Charteris) noted:	<p>The inquiry report is well written, easy to read and laid out in a logical manner. There is good use of graphics and tables to communicate critical ideas and information. The summary documents allow easy access for those who do not have the time to dig more deeply into the analysis.</p> <p>But some of the interesting and critical discussion around the political economy issues affecting financing decisions at a local government level could be lost to the casual observer and reader.</p>
The focus group facilitator (David Pickens) noted:	<p>Overall, presentation of the products was considered very good, being well written, logical and clear:</p> <p><i>“The reports produced were very readable, with good use of quotes charts and tables.”</i></p> <p><i>“The draft report attracted the lightning. By the time the final report arrived people were ready for it.”</i></p> <p>Having available the submissions of others was appreciated, with it offering useful context on why the Commission had changed positions on some issues.</p> <p>Some felt the final report could have been shorter, with one interviewee suggested it was verbose in places and more repetitive than it needed to be. Others disagreed, however, with one commenting it could not have been completed in fewer pages.</p> <p>Some felt clarity would have been aided if the final report had given a sense of the priority of the recommendations.</p>

[NB: Survey results are based on a sample of 101 respondents. Where respondents answered “Don’t know” these responses are excluded from the results.]

Assessment of local government funding and financing inquiry

Output measured: Overall quality

Assessment method: Survey results, independent expert review and focus group report	
Perception of the overall quality of the inquiry	
Survey results:	<ul style="list-style-type: none"> 48% of inquiry participants surveyed rated “the overall quality” of the inquiry as good or excellent. [Note also that 80% rated the overall quality of the inquiry as acceptable, good or excellent – a less demanding standard than the performance measure.] <p>Comments included:</p> <p><i>“This is an excellent piece of scholarship and analysis of the framework and issues in funding and financing the services and activities that local authorities deliver. It also collates into one piece of work a lot of other commentary and reporting on this issue.”</i></p> <p><i>“Seems to me a weak report that doesn’t grapple with the problems inherent in local government funding. Was disappointing that no real solutions were offered. In fact the report seems to say that things are honky dory when we know they are not.”</i></p>
The expert reviewer (Gus Charteris) noted:	<p>Overall a high-quality report and inquiry. It has done a good job of capturing the critical issues facing local government.</p> <p>The key finding that radical reform is not required and that the current rates-based system remains appropriate for New Zealand will not likely satisfy those looking for more far-reaching reform. This has left some in the local government sector underwhelmed with the work and there is a risk that some of the key recommendations that central government should contribute to alleviate cost pressures arising from unfunded mandates, international tourism and adaptation to climate change are not fully appreciated.</p> <p>The inquiry process and final report has, however, provided a platform for continuing discussion and analysis. A useful challenge has also been set around doing the longer term (and harder) work on improving governance and regulatory practice and using existing tools more effectively. This will build trust in the system – with the community and with central government.</p>
The focus group facilitator’s report (David Pickens) noted:	<p>Interviewees felt the terms of reference were too narrow, with too many exclusions, yet there was sufficient scope for the Commission to have still done far more.</p> <p>Many were disappointed by the finding that the current system was largely appropriate. Many felt this was wrong, not sufficiently justified, failed to future proof local government funding and financing, or simply made it too easy for both Central and Local Government to ignore the rest of the report.</p> <p>Some felt the inquiry could be used as a base and catalyst whilst others felt stakeholders were deflated by what they saw.</p>

[NB: Survey results are based on a sample of 101 respondents.]

Assessment of technological change and the future of work inquiry

Impact measured: Policies and behaviours change as a result of the Commission's work

Assessment method: Survey results, independent expert review and interviews	
Commission recommendations agreed, implemented and explored further	
<p>How many recommendations were agreed and implemented?</p> <p>How fully were the recommendations implemented or actively explored by the relevant policy makers?</p>	<p>There has been no formal response from the Government, so we have no information on recommendations agreed or implemented.</p>
Understanding of productivity-related matters increases	
Survey results:	<ul style="list-style-type: none"> • 90% of participants considered the inquiry had increased their understanding of <i>"the impacts of new and changing technology on the quantity and nature of work"</i> at least a little. • 92% considered that the inquiry had increased their understanding of <i>"policy changes to better prepare current and future New Zealanders for the future of work"</i> at least a little.
The expert reviewer (Kinley Salmon) noted:	<p>Taken as a whole, the inquiry is a highly valuable contribution to the debate on the future of work in New Zealand.</p> <p>The Commission's reports do an excellent job of covering a large amount of research, both internationally and domestically, about the future of work. The international research covered is generally interpreted with a view to New Zealand's distinct economic and social situation – a commendable approach that is sometimes lacking in other analyses of these issues in New Zealand.</p> <p>The inquiry provides an important contribution by pulling together existing data on a range of economic and social outcomes in New Zealand into usable and revealing graphs and analyses.</p> <p>At least two areas of recommendations have already grown in salience due to Covid-19. Eg, better income support in the event of unemployment and the need for businesses to adopt more technology to stay competitive.</p>
The interview evaluator (Kathy Spencer) noted:	<p>Participants commented that much of the inquiry was absolutely relevant to the disruption to work caused by Covid-19. They identified findings and recommendations that they thought were relevant for responding to the disruption to work.</p>

[NB: Survey results are based on a sample of 106 respondents.]

Assessment of technological change and the future of work inquiry

Impact measured: The Commission's work generates discussion and debate

Assessment method: Monitoring of responses to, and feedback on, the inquiry	
Third party commentary and reporting in the media	
<p>Nature of comment (eg, favourable, unfavourable, neutral)</p> <p>Who commented</p> <p>How many people/groups commented</p>	<p>The Commission promoted the release of the first two draft reports (New Zealand, technology and productivity and Employment, labour markets and incomes), achieving 31 and 30 news mentions respectively (eg, online, radio, newspaper, etc).</p> <p>We did not send out media releases for the third, fourth and fifth draft reports which were released around the Christmas/New Year's period. They achieved 7 news mentions.</p> <p>The final report was published on 14 April 2020 when New Zealand was in COVID-19 Alert Level 4. There were 21 news mentions of the report between 14 April and 30 June 2020, with all items presenting a neutral view ie, without expressing a favourable or unfavourable view.</p> <p>A <i>FutureworkNZ blog</i> was set up to share insights. It generated 21 500 website visits and reached over 200 000 people via social media (LinkedIn and Twitter). The team published 86 posts and generated 48 blog comments over a 9-month period (May 2019 to February 2020). 3 650 page views were also achieved on Sciblogs where the blog was syndicated. Some blog posts were republished eg, in LSE Business Review, Management Magazine and NZ Herald's Agribusiness report. Blog feedback was very favourable, for example:</p> <p><i>"I've been reading lots of your blogs on the Productivity Commission website! In fact, I've been stalking it as I help to launch a not so dissimilar website for the UK Government's Industrial Strategy Council and figure out how to explain productivity in the simplest terms. You guys have done it so well."</i> Head of Communications, Department for Business, Energy and Industrial Strategy, UK</p> <p><i>"Thanks for another great crop of blog posts. I share these around my directorate at Tsy and often point others toward them too, as a great source of common-sense everyday explanations of complex concepts. It's very helpful that the material is (a) accessible and (b) frequently added to, so there's always something fresh to read. Thank you NZPC!"</i></p>
Citing of the Commission's work in Parliament, Select Committees, academic or other literature	
<p>Work cited by MPs in Parliament, Select Committees, Ministers, academic or other literature</p>	<p>In a parliamentary budget debate (4 June 2020), Dan Bidois (National, Northcote) noted that the Government had a <i>"fantastic report that it was sitting on: the Productivity Commission report into the future of work"</i>. He questioned how many recommendations had been actioned from the report.</p> <p>The inquiry has been cited in the following literature:</p> <ul style="list-style-type: none"> • Public Sector Vol 42 (April 2019) on the future of work. • MBIE's report: Medium to long-term employment projections: Looking ahead to 2028 (August 2019). • Two Policy Quarterly articles (February 2020). • Economic and Social Research Aotearoa (April 2020) • Skills Highway 2019 report: Reach of workplace literacy and numeracy fund 2019 and impact of the employer-led strand • The University of Auckland Business School report: Intergenerational Impacts 2019

Assessment of technological change and the future of work inquiry

Impact measured: Levels of engagement and response with the Commission's work increase

Assessment method: Survey results, interviews and independent expert review	
Productivity analysis and advice improves	
Survey results:	<ul style="list-style-type: none"> • 84% of inquiry participants agreed, or strongly agreed, that <i>"the inquiry has helped set or lift the standard in New Zealand for high quality analysis and advice on technological change and the future of work"</i>. • 91% of inquiry participants agreed, or strongly agreed, that <i>"I will use the inquiry reports as a resource and reference in the future"</i>.
Quality of analysis and advice in the inquiry and if inquiry reports will serve as a resource and reference in the future	
The expert reviewer (Kinley Salmon) noted:	The inquiry is a valuable resource for thinking about the future of work in New Zealand. The final report was submitted as concerns about COVID-19 dominated almost every aspect of public debate in New Zealand. That made it more difficult for the important messages of this work to be heard. Covid-19 does, however, potentially change the terms of the political debate which may make action on some of the inquiry's more ambitious recommendations, such as changes to income support, more feasible. It certainly makes some of the recommendations more relevant – including income support and the need to adopt more rather than less technology.
The interview evaluator (Kathy Spencer) noted:	<p>In contrast to many government agencies who are often busy responding to day-day demands, the Commission has the time and independence needed to create valuable resources.</p> <p>One participant commented that the Commission's analysis was <i>"impartial and highly sophisticated"</i> while another described it as <i>"comprehensive and credible"</i>.</p> <p>One participant found Commission reports were immensely valuable and a resource that they drew on routinely. Another commented that the additional background material provided by the Commission (eg, the paper on student subject choice) were very useful reference works, and a particularly valuable part of the Commission's process.</p>

[NB: Survey results are based on a sample of 106 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of technological change and the future of work inquiry

Output measured: Right focus

Assessment method: Survey results, interviews and independent expert review	
Relevance and materiality of inquiry reports	
Survey results:	<ul style="list-style-type: none"> • 86% of inquiry participants agreed, or strongly agreed, that <i>“the Commission sourced all relevant research and information”</i>. • 82% agreed, or strongly agreed, that <i>“the Commission engaged with the right people”</i>. • 84% agreed, or strongly agreed, that <i>“the inquiry report focused on the most significant issues to technological change and the future of work”</i>. • 88% agreed, or strongly agreed, that <i>“the inquiry report went into sufficient depth on the issues it covered”</i>.
The expert reviewer (Kinley Salmon) noted:	<p>The Commission’s reports squarely meet the terms of reference (ToR). Yet there are two areas that could have benefited from more detail. The first is the near-term potential of some technologies referred to in the ToR as <i>“the likely scale and pace of technology change, including across regions and industries.”</i></p> <p>The second is the distributional impacts of technological change. The ToR refer to <i>“Identifying how technological change will affect different groups of workers.”</i> Greater analysis of New Zealand and international evidence on the recent impacts of technological change and a clearer discussion of the existing work arrangements and experiences of Māori and other groups in New Zealand and how they intersect with technological change could all have shed more light on this area. A continuation of the scenario analysis in early draft reports could also have helped.</p>
The interview evaluator (Kathy Spencer) noted:	<p>All interviewees agreed the Commission had covered the topic in a reasonable amount of depth.</p> <p>One interviewee said the Commission’s inquiry was very thorough and a great contribution. The Commission had managed to weave a path between the more extreme predictions about the impact of technology on work made by some groups and the status quo. Usefully, the reports focused on processes for adapting to technological change and avoided being deterministic.</p> <p>However, another interviewee thought the reports were too heavily reliant on how economists see the world: <i>“They seem to be two completely different world views – those of economists and those of people actually working with technology.”</i> In their view, the finding that <i>“productivity growth is a useful proxy indicator of the long-run rate of technological change”</i> was fundamentally wrong. The Commission saw advances in technology as a linear process, while those working within the technology sector saw it as exponential.</p> <p>Another interviewee felt that the narrow focus on the impact of technological change had limited the inquiry’s usefulness. In reality there are many factors impacting on the future of work including globalisation, climate change, and demographics. Considering technology on its own created an artificial boundary which they thought had limited the usefulness of the findings and recommendations. It meant some policy responses were ruled out because they weren’t related to technology.</p>

[NB: Survey results are based on a sample of 106 respondents. Where survey respondents answered “Don’t know” these responses are excluded from the results.]

Assessment of technological change and the future of work inquiry

Output measured: Good process management

Assessment method: Monitoring of milestones, survey results, interviews and independent expert review	
The extent to which inquiry issues papers, draft reports and final reports were delivered to schedule	
All external milestones communicated in the Commission's planning process are achieved:	The inquiry work programme was delivered on schedule with an issues paper in November 2018, draft report in July 2019 and final report in November 2019 (as per the deadline in the terms of reference).
Survey results:	<p>91% of inquiry participants agreed or strongly agreed that <i>"overall, they were satisfied with the Commission's process for running the inquiry"</i>. Some suggestions for improvements included:</p> <p><i>"Commission staff could have engaged much more with industries and sectors already working in non-traditional (future) ways."</i></p> <p><i>"Greater emphasis on new economic thinking... less reliance on standard neoclassical models."</i></p> <p><i>"More thorough investigation and analysis of more overseas jurisdictions – particularly in the Asia-Pacific region."</i></p>
The expert reviewer (Kinley Salmon) noted:	<p>Overall process management was strong with reports delivered on time and engagement achieved with a broad range of stakeholders.</p> <p>The five draft reports likely made it easier for detailed engagement by stakeholders and ensured that less was riding in terms of engagement and impact on the final report. However, producing an issues paper, five draft reports and a final report in just over one year may have been excessive. With a view to future inquiries, this risks tilting the balance too far towards taking public positions early on in the process and too far away from giving the team time to question more fundamentally the range of issues before taking a public position. For a similar length process, fewer and shorter interim reports could be worth considering.</p>
The interview evaluator (Kathy Spencer) noted:	<p>Participants generally agreed that the Commission ran a very good process: <i>"I find that in general they have one of the best processes of any of the agencies around town"</i>.</p> <p>Most appreciated the Commission had broken up material into five draft reports. They thought it helped focus the inquiry, gave more structure, made it easier to digest and engage. However, better spacing of the release of draft reports would have improved the process.</p> <p>One person felt it would have been helpful if the Commission had drawn more of a connection between the reports, perhaps by including a synopsis of previous reports. Another found that because the sub-themes of the draft reports are related and not always amenable to separate consideration, it made it harder to keep sight of the whole picture.</p> <p>Overall, there was considerable support for the separate theme-based draft reports to be replicated in future inquiries.</p>

[NB: Survey results are based on a sample of 106 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of technological change and the future of work inquiry

Output measured: High quality work

Assessment method: Survey results, interviews and independent expert review	
Confidence in inquiry findings and recommendations	
Survey results:	<ul style="list-style-type: none"> 79% of inquiry participants considered the inquiry's "analysis of information" to be of good or excellent quality. 72% considered the inquiry's "findings and recommendations" to be of good or excellent quality. [Note also that 95% rated the overall quality of the inquiry (as acceptable, good or excellent – a less demanding standard than the performance measure.)] 89% of inquiry participants agreed, or strongly agreed, that "the Commission's recommendations follow logically from the analysis and findings". 92% agreed, or strongly agreed, that "the Commission's recommendations would, if implemented, better prepare current and future New Zealanders for the future of work".
The expert reviewer (Kinley Salmon) noted:	<p>The overall work was of a very high quality. The reports draw on a wide range of studies and data and carefully build a clear and compelling case. There are three key areas where the analysis could have been strengthened:</p> <ul style="list-style-type: none"> It would have been helpful to have a stronger framing and explanation of why the actions proposed should be taken by the Government despite the report finding that dramatic technological change is not imminent. More consistent use of scenario analysis could have helped address questions about which there is a high degree of uncertainty, such as the skills impact of technological change and its distributional impacts. There could have been a better fit between the findings of the inquiry and the emphasis of the recommendations, almost half of which relate to tertiary education which does not appear as prominently in the findings.
The interview evaluator (Kathy Spencer) noted:	<p>One interviewee noted the Commission had a reputation for high-quality analysis and this inquiry was no exception. However, some felt there were gaps:</p> <ul style="list-style-type: none"> The report on educating the workforce seemed to lack the depth of the other reports. The reports lacked a critical lens on technological change. There wasn't enough comment on encouraging or discouraging technologies or on what contributed to the successful implementation of particular technologies. A gap was the impact of technologies on different sub-groups of the population. <p>A couple of participants were less than fully satisfied with the Commission's analysis. One felt the Commission was too focused on markets and their capacity to resolve all problems, given the right policy settings. Eg, the suggestion of personalised savings accounts for income smoothing.</p> <p>The Commission also appeared resistant to new approaches such as active industry policies to ensure jobs are there to replace those lost to technological change. It was suggested the Commission needs fresh ways of looking at problems and a wider international evidence base.</p> <p>Another criticism related to the assessment of the impact of technology on productivity. The Commission's conclusions didn't mesh with the experience of people working in the technology sector. It had referenced alternative approaches to measuring GDP and the impact of positive technology externalities, but seemed to dismiss them out of hand.</p>

[NB: Survey results are based on a sample of 106 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of technological change and the future of work inquiry

Output measured: Clear delivery of message

Assessment method: Survey results, interviews and independent expert review	
Perception of how well inquiry work was communicated and presented	
Survey results:	<ul style="list-style-type: none"> • 98% agreed, or strongly agreed, that the <i>"findings and recommendations were clear"</i> • 97% agreed, or strongly agreed, that the <i>"style of writing and language used was clear"</i> • 100% agreed, or strongly agreed, that the <i>"summary material provided was useful"</i> • 96% agreed, or strongly agreed, that the <i>"one-page brief was clear and easy to understand"</i> • 100% agreed, or strongly agreed, that the <i>"website was clear and easy to understand"</i> • 100% agreed, or strongly agreed, that the <i>"FutureworkNZ blog was clear and easy to understand"</i> (43% didn't know) • 98% agreed, or strongly agreed, that the <i>"email updates were clear and easy to understand"</i> <p>Participants were asked what they liked or disliked about the blog:</p> <p><i>"Liked the encouragement to think outside the box."</i></p> <p><i>"It was good, though limited reach."</i></p> <p><i>"Insightful, interesting and worth reading."</i></p>
The expert reviewer (Kinley Salmon) noted:	<p>The Commission's delivery of messages was strong – the outputs of the inquiry are well presented and clearly written. The approach taken admirably extended beyond normal communication channels to include a blog, social media engagement, and excellent graphic A3 format representations of key ideas of each draft report.</p> <p>Communication could be further improved by shortening the length of some of the draft reports and reducing the number and ways of summarising the findings in the reports in order to have a more consistent narrative thread.</p>
The interview evaluator (Kathy Spencer) noted:	<p>One interviewee found Commission reports were <i>"commendably lucid"</i> and <i>"always very clear and succinct"</i>.</p> <p>Another commented that reports were nicely laid out with a useful summary of the findings and recommendations. The Commission used effective ways to reach the audiences they were targeting. The audiences were quite specialised and the detailed, evidence-based material in the Commission's reports was valuable and appropriate.</p> <p>However, they noted that most people don't have the time to absorb the amount of analysis and reporting that the Commission produces. It may be manageable for large organisations but not so good for smaller entities with less time to commit to the inquiries.</p>

[NB: Survey results are based on a sample of 106 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of technological change and the future of work inquiry

Output measured: Effective engagement

Assessment method: Survey results, interviews and independent expert review	
Perception of the quality of engagement by the Commission	
Survey results:	<ul style="list-style-type: none"> • 93% of inquiry participants agreed, or strongly agreed, that <i>"there was ample opportunity to participate in the inquiry"</i>. • 95% agreed, or strongly agreed, that <i>"the Commission was approachable"</i>. • 93% agreed, or strongly agreed, that <i>"the Commission communicated clearly"</i>. • 81% agreed, or strongly agreed, that <i>"the Commission understood their views"</i>.
The expert reviewer (Kinley Salmon) noted:	<p>The Commission team dedicated considerable time to engaging with interested parties. However, engagements with groups in a selection of rich Asian countries could have enriched the report.</p> <p>The response from interested parties and the broader public was somewhat low. This likely reflects overall interest in the various topics. This could be strengthened through greater use of existing media platforms to drive attention and interest to the Commission's output and findings, as well as efforts to identify and engage stakeholders who might normally be missed, for example those who are younger and less connected to Wellington policy networks.</p> <p>The <i>FutureworkNZ blog</i> was an admirable addition to normal methods of reaching interested parties.</p>
The interview evaluator (Kathy Spencer) noted:	<p>The way the Commission engages provides an example that other government agencies could usefully follow. There were sufficient opportunities to engage and enough time to develop submissions: <i>"They were available and interested and there was lots of communication."</i></p> <p>All agreed the Commission had engaged with a good cross-section of individuals and organisations. Referencing submissions reinforced they were being used and showed the Commission respected the input of contributors.</p> <p>Participants found the <i>FutureworkNZ blog</i> useful and interesting. One appreciated the bite-sized nuggets of analysis on very specific topics. Another commented that the Commission appeared to have put considerable effort into the blog.</p>
Engagement meetings held and submissions received:	<p>The Commission considered 86 submissions and consulted with a broad range of stakeholders face-to-face: 45 engagement meetings and 11 conferences/roundtables.</p> <p>Two workshops were held with a large number of external organisations: one on the digital divide and another on micro-credentials.</p>

[NB: Survey results are based on a sample of 106 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of technological change and the future of work inquiry

Output measured: Overall quality

Assessment method: Survey results, interviews and independent expert review	
Perception of the overall quality of the inquiry	
Survey results:	<ul style="list-style-type: none"> 77% of inquiry participants surveyed rated “the overall quality” of the inquiry as good or excellent. [Note also that 95% rated the overall quality of the inquiry as acceptable, good or excellent – a less demanding standard than the performance measure.] <p>Comments included:</p> <p><i>“I read this report during the COVID lockdown and my greatest impression is this should be a blueprint for our adjustments to the workplace, training, and industry coming out of the crisis...”</i></p> <p><i>“All the effort was in doing the report, not sharing and engaging with the people that it is relevant to.”</i></p>
The expert reviewer (Kinley Salmon) noted:	<p>The inquiry is of a very high standard. The various outputs build a valuable picture of potential technological change in New Zealand and its likely effects on workers and the labour market.</p> <p>The inquiry provides valuable new research on areas such as occupational churn in New Zealand and the attitudes of New Zealanders towards the future of work. The broad conclusions – that New Zealand does not face an imminent threat of dramatic technological disruption to the labour market but that a number of policy changes are nonetheless needed – are convincing.</p> <p>With the aim of providing feedback to strengthen an already high quality inquiry, this review considers some areas where it could have been improved. These include building a stronger case for action now, deeper analysis on the distributional impacts of technological change, a better fit between recommendations and the findings, and a reinforced effort to create widespread engagement with the inquiry.</p>
The interview-based evaluation (Kathy Spencer) noted:	<p>One interviewee thought the Commission’s work had helped to dispel undue worry about the impact of technology on the future of work. Other comments included:</p> <p><i>“The findings were a really useful correction to the public narrative about the future of work.”</i></p> <p><i>“The Commission really dug into the issues and busted a few myths.”</i></p> <p>Others felt the Commission had missed an opportunity. Eg, reports reiterated the results of past inquiries and missed the opportunity to say something stronger that would move issues forward.</p> <p>There was interest in knowing what happens to reports and recommendations. A suggestion was for the Commission to do a follow-up in 1–2 years to consider what hit the mark and what didn’t and identify which of the substantial recommendations had been actioned.</p>

[NB: Survey results are based on a sample of 106 respondents.]

Assessment of Economics & Research function

Impact measured: Policies and behaviour change as a result of the Commission's work

Assessment method: Survey result and independent expert review	
Understanding of productivity-related matters increases	
Survey results:	<ul style="list-style-type: none"> 89% of participants agreed, or strongly agreed, that research published by the Commission had "increased their understanding of productivity-related topics/issues". <p>Comments included:</p> <p><i>"The Commission's research makes a very valuable contribution to our understanding of productivity-related issues. Patrick does a great job connecting and promoting research, and extending the supply of LBD practitioners. The Commission has done relatively few deep LBD studies recently – would be good to see them focusing again on this as the pool is thin."</i></p> <p><i>"The Commission serves a vital role in producing high quality, relevant and independent advice on government policy. Please keep doing it, including social sector topics."</i></p> <p><i>"The Commission has a valuable role to inform and does that well."</i></p>
Expert review (Bob Buckle) commentary:	Investment by the Economics & Research (E&R) team in building research capability and a network of researchers and promoting the application of the Longitudinal Business Database (LBD), has advanced core research on understanding the characteristics and productivity performance of New Zealand firms, and has advanced understanding of the relevant policy issues. This investment has also benefitted Productivity Commission inquiries and capability in policy agencies (such as MBIE) and beyond the public sector.

[NB: Survey results are based on a sample of 114 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of Economics & Research function

Impact measured: The Commission's work generates discussion and debate

Assessment method: Monitoring of responses to, and feedback on, research reports	
Third party commentary and reporting in the media	
<p>Nature of comment (eg, favourable, unfavourable, neutral)</p> <p>Who commented</p> <p>How many people/groups commented</p>	<p>A media release was sent out in October 2019 for the publication of <i>New jobs, old jobs: the evolution of work in New Zealand's cities and towns</i>. It achieved 22 items of news coverage (including RadioNZ, Newshub, PS News, Rotorua Daily Post, Politik, Stuff, Dominion Post) All coverage was neutral ie, reporting the information without expressing a favourable or unfavourable view. An op-ed by our Economics & Research Director was also published in the NZ Herald: <i>Cracking the formula for job growth in NZ's cities and towns</i> (17 October 2019).</p> <p>There were 6 new items (5 neutral, 1 negative) on the release of a report we commissioned by David Skilling: <i>Frontier firms – an international small advanced economy perspective</i>. A related op-ed by our E&R Director was also published in the National Business Review: <i>It's time to lift our game in productivity</i> (28 May 2020) and generated 11 comments (2 positive, 1 negative, 8 neutral). Skilling's report gained traction on social media eg, on Twitter related posts reached 3 115 people and generated 76 engagements (ie, 'likes', re-tweets, replies).</p>
Citing of the Commission's research work in Parliament, Select Committees, academic or other literature	
<p>Work cited by MPs in Parliament, Select Committees, Ministers, academic or other literature</p>	<p>Our research papers were cited in 11 publications:</p> <ul style="list-style-type: none"> • Local government insights (2020) – 1 citation • Job-to-job transitions and the regional job ladder (2020) – 1 citation • New jobs, old jobs: the evolution of work in New Zealand's cities and towns (2019) – 1 citation • Can the Kiwi fly? Achieving productivity lift-off in New Zealand (2019) – 8 citations <p>In Parliament, Hon David Parker (Associate Minister of Finance) referenced Commission research in the first reading of the Venture Capital Fund Bill (August 2019). Eg, he referred to Paul Conway's (E&R Director) analysis on New Zealand's lag in productivity growth.</p>

Assessment of Economics & Research function

Impact measured: Levels of engagement and response with the Commission's work increase

Assessment method: Survey results and independent expert review	
Productivity analysis and advice improves	
Survey result:	<ul style="list-style-type: none"> 88% of survey respondents agreed, or strongly agreed, that they would "use Productivity Commission research reports as a resource and reference in the future". <p>Comments included:</p> <p><i>"Every paper I read I tend to find useful. I'm a bit selective about which papers I download and read. When I do, however, they stay with me, get filled with highlights and notes and end up referenced in emails, presentations and conversations. They are a big part of shaping my view."</i></p> <p><i>"... they [reports] do allow me to engage more pro-actively with the policy focused teams at Treasury. I find your topics and insights well considered and well presented."</i></p> <p><i>"... papers are of little value without a concerted effort to present the information in person in a variety of forums."</i></p> <p><i>"Productivity by the Numbers is the one I keep going back to to pull graphs and facts from."</i></p>
Quality of analysis and advice in research papers	
The expert reviewer (Bob Buckle) assessed several research papers to evaluate the quality of analysis:	<p>Assessing and enhancing New Zealand's productivity. Policy Quarterly: Special Issue, Vol 14 No. 3, 2018.</p> <p>This Special Issue was an excellent initiative that involved a lot of work by the E&R staff organising the issue and ensuring suitable peer review of the papers. It provided an opportunity for greater exposure of a suite of research and issues worked on by E&R staff and other researchers, to public policy practitioners and academics. This type of initiative is another avenue by which the team and Commission can reach into the policy arena and connect with other researchers. It is a model to be encouraged and supported.</p> <p>Productivity by the numbers: 2019. Research Paper 2019/2 (Nolan, P., Pomeroy, R and Zheng, G.)</p> <p>While comments from people interviewed applauded this initiative, some felt that its release warranted greater publicity and that it could be used more effectively to educate and promote debate policy... to increase its influence on policy debate, more attention would need to be devoted to strengthening the link between the measurement of dimensions of productivity performance and the "explanations" listed, and what these imply for policy.</p> <p>New jobs, old jobs: the evolution of work in New Zealand cities and towns. Working Paper 2019/1 (Coleman, A., Maré, D. and Zheng, G.)</p> <p>The paper provides a rich array of carefully worked statistical results that provide insights into the regional dynamics associated with New Zealand's industrial and employment structure and location. These results should be valuable for business decision makers as well as providing some insights for public policy.</p>

[NB: Survey results are based on a sample of 114 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of Economics & Research function

Output measured: Right focus

Assessment method: Independent expert review	
Relevance and materiality of research reports	
The expert reviewer (Bob Buckle) noted:	<p>The deeper involvement in inquiries has resulted in more research-informed inquiries and this has also led to useful research springing out of the inquiries.</p> <p>The importance of this [LBD] research and research capability is evident for example in the development and progress of two of the recent inquiries: <i>New Zealand firms: reaching for the frontier</i> and <i>Technological change and the future of work</i>. The excellent research fostered by the E&R team on the measurement of productivity in the state sector also informed the earlier inquiry on <i>State sector productivity</i>.</p>

Output measured: Good process management

Assessment method: Survey result and independent expert review	
Satisfaction with the Commission's management of research processes	
Survey result:	<ul style="list-style-type: none"> 74% of inquiry participants agreed or strongly agreed that "overall, they were satisfied with the Commission's management of research processes".
The expert reviewer (Bob Buckle) noted:	<p>The E&R team has responded appropriately to most of the recommendations of the 2018 review. There is now a:</p> <ul style="list-style-type: none"> Systematic work planning process integrated into the Commission's planning process; A research management process; and More formal quality assurance process. <p>The changes have resulted in a clearer workplan which has helped the process of specifying research priorities and identifying the research capability required by the team and the Commission.</p>

[NB: Survey results are based on a sample of 114 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of Economics & Research function

Output measured: High quality work

Assessment method: Survey results and independent expert review	
Confidence in research findings and conclusions	
Survey results:	<ul style="list-style-type: none"> • 90% agreed, or strongly agreed that the Commission's research reports <i>"have good-quality analysis of information"</i>. • 91% agreed, or strongly agreed that the Commission's research reports <i>"have conclusions that follow logically from analysis"</i>.
The expert reviewer (Bob Buckle) noted:	<p>The quality of the working papers commissioned by the E&R team during the last two years has continued to be of a very good standard and those utilised by Commission inquiries are having an influence on the quality of the inquiries. Several of the working papers warrant converting into a form suitable for submission to peer reviewed research journals. This would enable the research to reach a global audience and would enhance the reputation of the Commission.</p> <p>Since the 2018 review, a formal quality assurance process has been introduced. This involves sending all publications to Commissioners and other relevant Commission staff, along with two external reviewers. External reviewers' comments are kept on file with the report, and authors are asked to provide short notes on how these comments had been addressed.</p>

[NB: Survey results are based on a sample of 114 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of Economics & Research function

Output measured: Effective engagement

Assessment method: Survey results and independent expert review	
Perception of the quality of engagement by the Commission	
Survey results:	<ul style="list-style-type: none"> 79% agreed, or strongly agreed, that research published by the Commission <i>“made a positive contribution towards improved levels of coordination and collaboration in productivity research”</i>. <p>Comments included:</p> <p><i>“Always courteous, respectful, deliberative, professional.”</i></p> <p><i>“I enjoy hearing some of the reports presented orally as it helps to understand the topic in a different way.”</i></p> <p><i>“Host more round-table discussions and disseminate to wider research community.”</i></p>
The expert reviewer (Bob Buckle) noted:	<p>The Government Economics Network’s (GEN) Productivity Hub was a key instrument for engagement by the team with public sector agencies. This has ceased because of the increasing burden placed on the E&R Director to sustain the Hub, changes in the team’s resourcing and priorities, and declining financial support and diminished research capability within the public sector agencies.</p> <p>Feedback from public sector representatives expressed regret that the Hub was no longer functioning, and they felt that it should be re-activated. It would be important that the Commission was actively involved in a rejuvenated Productivity Hub. But for this to be feasible, there would need to be greater support (financially and administratively) from the policy agencies and reprioritisation of resourcing within the Commission to enable the E&R Director to fulfil the benefits that could accrue to the Commission and policy agencies, including benefits from restoring the research prioritisation process (FLARE), capability development, and knowledge sharing.</p> <p>The E&R Director nevertheless maintains active and effective engagement with senior analysts and researchers in MBIE, Treasury, and Stats NZ for example through a variety of outreach processes. The Director maintains an awareness of MBIE research priorities and requirements through regular meetings with the MBIE Chief Economist and is an external member of the advisory board of MBIE’s Strategic Policy Research Team, the team using the LBD database.</p> <p>The E&R team has also created active relationships with a wide number of researchers by supporting access to the LBD database, by encouraging researchers to develop productivity related research proposals, providing research commentary on proposals, and acting as a ‘hub’ for productivity research and collaboration.</p>

[NB: Survey results are based on a sample of 114 respondents. Where survey respondents answered “Don’t know” these responses are excluded from the results.]

Assessment of Economics & Research function

Output measured: Clear delivery of message

Assessment method: Survey results and independent expert review	
Perception of how well research work was communicated and presented	
The expert reviewer (Bob Buckle) noted:	<p>The communication of research emanating from the E&R team has continued to be very good. This has occurred via the working paper series, interpretations and summaries using the 'Cut to the chase' mode, workshops, the introduction of webinars, and through more informal engagement by the Director with senior staff in public sector policy agencies.</p> <p>The launch of the annual <i>Productivity by the numbers</i> publication was applauded by interviewees. This annual publication could be exploited more, and its release could be used as one of the Productivity Commission's marquee events. This could be used as an opportunity to also present special topics on productivity and policy insights drawn from research and inquiries.</p>
Survey comments:	<p>92% of respondents agreed, or strongly agreed that the Commission's research reports "are clear and easy to understand".</p> <p>89% agreed, or strongly agreed that the Commission's research reports "go into sufficient depth on the issues they cover".</p>

[NB: Survey results are based on a sample of 114 respondents. Where survey respondents answered "Don't know" these responses are excluded from the results.]

Assessment of research function

Output measured: Undertaking and publishing research about productivity-related matters

Assessment method: Survey results and independent expert review	
Perception of the overall quality/performance of the Economic & Research team	
The expert reviewer (Bob Buckle) noted:	<p>The resourcing and operational focus of the E&R team has changed since the last 2018 review. Staff have been more heavily involved in supporting Commission inquiries and there has been less scope for more medium-term 'independent' productivity research. This change has brought some benefits but also some risks. A key risk is the loss of research capability and the scope to build a medium-term research programme and enhance research capability to support inquiries.</p> <p>If the Commission is to continue to benefit from the presence of an E&R team with scope for medium term research and to build appropriate research capability (such as that required to exploit the LBD database to inform future inquiries and policy advice) and scope to continue to build a research network, there will need to be a rejuvenation of funding to support this.</p> <p>The role the team plays as a coordinator for productivity related discussions and research seminars and the active outreach by the Director are greatly appreciated. Nevertheless, several interviewees suggested more could be done to increase the impact on policy of the productivity research commissioned by team and the insights from inquiries.</p> <p>Feedback suggested that policy advisors in public sector agencies can find it difficult to connect the work arising from inquiries with public policy. Suggestions made to try and enhance engagement and impact on the policy community included regular (perhaps annual) presentations of research insights useful for public policy... Another suggestion was that the <i>Productivity by the numbers</i> publication could be given a higher profile and used to engage with the policy community, perhaps including a policy feature section each year that draws on pertinent policy related results from research and inquiries.</p> <p>Evaluation of public policy programmes has been identified as one of the important functions of various productivity institutions that exist around the world. Although the nature of Commission inquiries tends to involve some form of policy evaluation, the inquiries are determined by Government. Several interviewees suggested that more attention should be given to undertaking and promoting policy evaluation work, particularly in view of the Commission's relative independence from the policy implementation processes.</p>
Survey comments:	<p><i>"Thanks for the high-quality data, high-quality research and keeping our country's attention focused on the productivity in service of improving standards of living and wellbeing writ large."</i></p> <p><i>"Please keep it up as you are working in areas where there is no real research being done elsewhere."</i></p>

2019–20 Financial performance summary

Summary of financial performance

Our full financial statements and accompanying notes are set out later in this report. We made a \$135 032 operating surplus, as summarised in the table below.

	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Financial performance			
Revenue			
Revenue from the Crown	5 030	5 030	5 030
All other revenue	103	2	113
<i>Total revenue</i>	5 133	5 032	5 143
Expenses			
Personnel costs	3 405	3 636	3 498
All other expenses	1 593	1 396	1 743
<i>Total expenses</i>	4 998	5 032	5 241
Net surplus/(deficit)	135	-	(98)
Financial position			
Assets			
Total current assets	1 534	1 304	1 544
Total non-current assets	87	27	69
<i>Total assets</i>	1 621	1 331	1 613
Liabilities			
<i>Total current liabilities</i>	422	379	532
Total non-current liabilities	111	-	128
<i>Total liabilities</i>	533	379	660
Total equity	1 088	952	953

Output funding and costs

The Commission's summary of output funding and costs include direct and indirect costs associated with delivering our services: inquiries and research and promoting understanding. Dividing our funding in this way allows the Government to determine, at a high level, the mix of our work.

The Key assumptions relating to our annual forecasts are that we will run two full inquiries at any point in time (noting there may be overlap of additional inquiries in practice); and the costs of both outputs includes an allocation of common corporate or 'central' costs.

	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Inquiries			
Revenue from the Crown*	4 401	4 401	4 401
Other revenue	90	2	99
Total revenue	4 491	4 403	4 500
Expenses	(4 432)	(4 403)	(4 602)
Net surplus/(deficit)	59	-	(102)
Research and promoting understanding			
Revenue from the Crown*	629	629	629
Other revenue	13	-	14
Total revenue	642	629	643
Expenses	(566)	(629)	(639)
Net surplus/(deficit)	76	-	4
Total outputs			
Revenue from the Crown*	5 030	5 030	5 030
Other revenue	103	2	113
Total revenue	5 133	5 032	5 143
Expenses	(4 998)	(5 032)	(5 241)
Net surplus/(deficit)	135	-	(98)

* Revenue from the Crown represents the appropriation received by the Commission and equals the Government's actual expenses incurred in relation to the appropriation, which is a required disclosure from the Public Finance Act.

End of year reporting requirements as per the Estimates of Appropriations 2019–20 (Finance and Government Administration Sector)

The Commission’s appropriation is limited to the undertaking of inquiries into and research on, and promoting public understanding of, productivity-related matters in accordance with the New Zealand Productivity Commission Act 2010.

Assessment of performance	2019–20 Budget standard	Actual 2019–20
Inquiry participants’ feedback (via survey) on whether the inquiry helped set or lift the standard in New Zealand for high quality analysis and advice on the topic.	Maintained or improved	As reported in the 2019–20 Statement of performance impact measure “Levels of engagement and response with the Commission’s work increase”.
Inquiry participants’ feedback (via survey) on whether the inquiry has increased their understanding of the topic.	Maintained or improved	As reported in the 2019–20 Statement of performance impact measure “Policies and behaviours changes as a result of the Commission’s work”.
Productivity Hub participant’s feedback (via survey) on whether the Commission’s facilitation of the Hub was a positive contribution toward improved levels of coordination in productivity research.	Maintained or improved	Given resource constraints, the Commission was not in a position to facilitate the Productivity Hub. Although the Hub has now been disestablished, we continue to work closely with agencies who are active in productivity research.
Productivity Hub participants feedback (via survey) on whether research outputs promote understanding of productivity-related matters.	Maintained or improved	As above.

Statement of responsibility for the year ended 30 June 2020

Under the requirements specified in the *Crown Entities Act 2004*, section 155, the Commission's Board is responsible for:

- The preparation of the Commission's financial statements and statement of performance and the judgements made in them;
- Any end-of-year performance information provided by the Commission under section 19A of the *Public Finance Act 1989*; and
- Establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Commission's financial and non-financial reporting.

In the Board's opinion these financial statements and statement of performance fairly reflect the financial position and operations of the Commission for the year ended 30 June 2020.

Signed on behalf of the Board:



Murray Sherwin
Chair



Andrew Sweet
Commissioner & Assurance
Committee Chair

Date: 26 November 2020

Independent Auditor's Report

To the readers of New Zealand Productivity Commission's financial statements and performance information for the year ended 30 June 2020

The Auditor-General is the auditor of the New Zealand Productivity Commission (the Commission). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the Commission on his behalf.

Opinion

We have audited:

- the financial statements of the Commission on pages 58 to 73, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Commission on pages 13 to 49.

In our opinion:

- the financial statements of the Commission on pages 58 to 73:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the applicable financial reporting framework; and

- the performance information on pages 13 to 49:
 - presents fairly, in all material respects, the Commission's performance for the year ended 30 June 2020, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 26 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Commission. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Commission as set out in note 18 to the financial statements and page 23 of the performance information.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Commission for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board are responsible on behalf of the Commission for assessing the Commission's ability to continue as a going concern. The Board are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commission, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Commission's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Commission's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Commission and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 12, 50 to 53 and page 74, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial

statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of

Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Commission.



Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

2019–20 Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2020

	Notes	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Revenue				
Revenue from the Crown	1	5 030	5 030	5 030
Interest revenue		1	2	2
Other revenue	1	102	-	111
<i>Total revenue</i>		5 133	5 032	5 143
Expenses				
Personnel costs	2	3 405	3 636	3 498
Other expenses	3	1 558	1 372	1 704
Depreciation and amortisation expense	6,7	35	24	39
<i>Total expenses</i>		4 998	5 032	5 241
Net surplus/(deficit) and total comprehensive revenue and expense		135	-	(98)

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of changes in equity for the year ended 30 June 2020

	Note	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Balance at 1 July		953	952	1 051
Total comprehensive revenue and expense		135	-	(98)
Balance at 30 June	12	1 088	952	953

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of financial position

as at 30 June 2020

	Notes	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Assets				
<i>Current assets</i>				
Cash and cash equivalents	4	1 439	1 255	1 441
Debtors and other receivables	5	95	49	103
<i>Total current assets</i>		1 534	1 304	1 554
<i>Non-current assets</i>				
Property, plant and equipment	6	53	22	59
Intangible assets	7	34	5	10
<i>Total non-current assets</i>		87	27	69
Total assets		1 621	1 331	1 613
Liabilities				
<i>Current liabilities</i>				
Creditors and other payables	8	228	229	364
Lease incentive	9	7	-	5
Employee entitlements	10	187	150	163
<i>Total current liabilities</i>		422	379	532
<i>Non-current liabilities</i>				
Lease incentive	9	46	-	53
Provisions	11	65	-	75
<i>Total non-current liabilities</i>		111	-	128
Total liabilities		533	379	660
Net assets		1 088	952	953
Equity				
Contributed capital	12	500	500	500
Accumulated surplus/(deficit)	12	588	452	453
Total equity		1 088	952	953

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of cash flows
for the year ended 30 June 2020

	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Cash flows from operating activities			
Receipts from the Crown	5 030	5 030	5 030
Interest received	1	2	2
Receipts from other revenue	141	-	111
Payments to suppliers	(1 672)	(1 452)	(1 596)
Payments to employees	(3 436)	(3 685)	(3 521)
Goods and services tax (net)	(13)	-	7
<i>Net cash flow from operating activities</i>	51	(105)	33
Cash flows from investing activities			
Purchase of intangible assets	(24)	-	-
Purchases of property, plant and equipment	(29)	-	(32)
<i>Net cash flow from investing activities</i>	(53)	-	(32)
Net increase/(decrease) in cash and cash equivalents	(2)	(105)	1
Cash and cash equivalents at 1 July	1 441	1 359	1 440
Cash and cash equivalents at 30 June	1 439	1 253	1 441

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Reconciliation of net surplus/(deficit) to net cash flow from operating activities

	Actual 2020 \$000	Actual 2019 \$000
Net surplus/deficit	135	(98)
<i>Add/(less) non-cash items</i>		
Depreciation and amortisation expense	35	39
Lease make good provision and lease incentive	(15)	39
Total non-cash items	20	78
<i>Add/(less) movements in working capital items</i>		
Debtors and other receivables	8	(5)
Creditors and other payables	(136)	81
Employee entitlements	24	(23)
Net movements in working capital items	(104)	53
Net cash flow from operating activities	51	33

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of accounting policies

Reporting entity

The New Zealand Productivity Commission (the Commission) is a Crown entity in terms of the *Crown Entities Act 2004*. It was established under the *New Zealand Productivity Commission Act 2010* and its parent is the Crown. The Commission's principal activities are to:

- undertake in-depth inquiries on topics referred to it by the Government;
- carry out productivity-related research that assists to improve productivity over time; and
- promote public understanding of productivity-related matters.

The Commission is a public benefit entity (PBE) for financial reporting purposes. The financial statements for the Commission are for the year ended 30 June 2020, and were approved by the Board on 26 November 2020.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the *Crown Entities Act 2004*, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The Commission has applied the suite of Tier 2 *Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS 1 RDR 28–3)* in preparing the 30 June 2020 financial statements. The Commission has expenses of less than \$30 million.

Measurement base

The financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Commission is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Comparatives

When the presentation or classification of items in the financial statements are amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period, unless it is impractical to do so.

Standards issued and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

PBE IPSAS 2 Statement of cash flows

The amendments to PBE IPSAS 2 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The amendment is effective on or after 1 January 2021, with early application permitted. The Commission does not intend to adopt the amendments early.

PBE IPSAS 41 Financial instruments

The XRB issued PBE IPSAS 41 in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Commission has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9. The Commission does not intend to adopt the standard early.

PBE FRS 48 Service performance reporting
PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The Commission has not yet determined how application of PBE FRS 48 will affect its *Statement of Performance*. The Commission does not intend to adopt the standard early.

Significant accounting policies

The significant accounting policies which materially affect the measurement of financial performance, position and cash flows have been applied consistently for all reporting periods covered by these financial statements. The policies satisfy the concepts of relevance and reliability ensuring the substance of the underlying transactions or other events is reported. Significant accounting policies are included in the notes to which they relate.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net GST recoverable from, or payable to Inland Revenue (IR) is included as part of receivables or payables in the *Statement of Financial Position*.

The net GST paid to, or received from IR, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the *Statement of Cash Flows*.

Income tax

The Commission is a public authority and consequently is exempt from income tax under section CW 38 of the *Income Tax Act 2007*. Accordingly, no provision has been made for income tax.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional

currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Budget figures

The budget figures are derived from the statement of performance expectations as approved by the Board. The budget figures are unaudited and have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Performance outputs

Direct costs are charged directly to outputs. Research personnel costs are allocated to outputs based on the time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs of each output.

Critical accounting estimates and assumptions

In preparing these financial statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The notes to the financial statements include disclosures relating to the impacts of COVID-19 in the Commission's financial statements.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Leases classification

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the *Statement of Financial Position* as property, plant and equipment, whereas for an operating lease no such asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases, and has determined that none of the lease arrangements are finance leases.

Notes to the financial statements

Note 1 Revenue

Revenue is measured at fair value of consideration received or receivable. Revenue is derived through the provision of outputs for the Crown, services to third parties and investment income.

Revenue from the Crown

Revenue from the Crown transactions are considered to be non-exchange transactions. The Commission is primarily funded through revenue received from the Crown. The funding is restricted in its use for the purpose of the Commission meeting its objectives as specified in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, the Commission considers there are no conditions attached to the funding.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest

Interest revenue is recognised using the effective interest method.

Other revenue

Other revenue transactions are considered to be exchange transactions. They are personnel costs recovered for employees who work on secondment in other organisations.

Other revenue is recognised as revenue when earned and is reported in the financial period to which it relates.

Note 2 Personnel costs

Personnel costs are recognised in the period to which they relate.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as incurred. The Commission also operates a 'total remuneration' policy, such that employer KiwiSaver contributions are part of total remuneration and not an additional benefit.

Defined benefit schemes

The Commission does not make employer contributions to any defined benefit superannuation schemes.

	Actual 2020 \$000	Actual 2019 \$000
Salaries and contractors	2 603	2 786
Board fees	689	621
Employer contributions to KiwiSaver defined contribution superannuation plan	64	66
Other entitlements	14	(23)
Bonuses	28	28
Other	7	20
Total personnel costs	3 405	3 498

Employee remuneration

	Number of employees 2020	Number of employees 2019
\$100 000 – 109 999	4	1
\$110 000 – 119 999	-	1
\$120 000 – 129 999	-	1
\$140 000 – 149 999	1	1
\$150 000 – 159 999	-	1
\$160 000 – 169 999	2	2
\$170 000 – 179 999	2	1
\$180 000 – 189 999	-	2
\$190 000 – 199 999	2	-
\$200 000 – 209 999	1	2
\$210 000 – 219 999	1	1
Total employees	13	13

Key governance and management personnel compensation

	Remuneration 2020 \$000	Full-time equivalent members 2020	Remuneration 2019 \$000	Full-time equivalent members 2019
Board members	689	1.6	621	1.7
Leadership team	775	3.6	836	4
Total key governance and management personnel remuneration	1 464	5.2	1 457	5.7

Key management personnel are Commissioners, General Manager and two Directors.

Board fees

Commissioners are appointed by the Crown and are the Board for the purposes of the *Crown Entities Act 2004*. All Commissioners are part-time and their fee is set by the Remuneration Authority.

	Actual 2020 \$000	Actual 2019 \$000
Murray Sherwin (Chair)	303	326
Andrew Sweet	165	12
Prof. Gail Pacheco	151	-
Prof. Sally Davenport	70	146
Dr. Graham Scott	-	137
Total Board member remuneration	689	621

During the financial year, payments made, or payable to, Elizabeth Hickey and Lesley Mackle, committee members appointed by the Board, but who are not Board members, were \$3 500 (2019: \$3 000).

The Commission has not provided a deed of indemnity to Board members for activities undertaken in the performance

of the Commission's functions. The Commission has not affected directors' and officers' liability and professional indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees. No Board or committee members received compensation or other benefits in relation to cessation (2019: Nil).

Note 3 Other expenses

	Actual 2020 \$000	Actual 2019 \$000
Fees to principal auditor for financial statement audit	34	33
Consultancy	706	726
Information technology and telecommunications	363	326
Travel and transport	76	114
Operating lease expense (office rental)	202	197
Communication and engagement	17	48
Training and development	39	33
Other expenses	121	227
Total other expenses	1 558	1 704

Office rental

The non-cancellable operating lease expense relates to the lease of the fifteenth floor of Fujitsu Tower in Wellington. The lease expires in March 2025. The Commission as lessee exercised its right

to renew in April 2016. The rental was also reviewed in April 2019 with a rental rebate agreed of \$1 031.92 (GST exclusive) per month for 48 months from April 2021.

As the lessor retains substantially all the risk and rewards of ownership of the leased property, the operating lease payments are recognised in the surplus or deficit only in the period in which they occur. Any lease incentive received or obligations to make good on the condition of the leased

premises are recognised in the surplus or deficit over the term of the lease.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2020 \$000	Actual 2019 \$000
Not later than one year	191	193
Later than one year and not later than five years	696	888
Total non-cancellable operating leases	887	1 081

Note 4 Cash and cash equivalents

Cash and cash equivalents includes operating and savings bank accounts held with Westpac. The carrying value of cash at bank and on hand approximates fair value.

The Commission is only permitted to spend its cash and cash equivalents within the scope and limits of its appropriation.

	Actual 2020 \$000	Actual 2019 \$000
Operating bank account	301	213
Savings bank account	1 138	1 228
Total cash and cash equivalents	1 439	1 441

Note 5 Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The carrying value of debtors and other receivables approximates their fair value. All trade

debtors are due within 30 days. Trade debtors have been assessed for impairment based on expected credit losses. No provision for expected credit losses have been made as at 30 June 2019 (2019: Nil).

	Actual 2020 \$000	Actual 2019 \$000
Receivables – exchange transactions		
Debtors and other receivables	-	39
Prepayments	57	39
Receivables – non-exchange transactions		
GST receivable	38	25
Total debtors and other receivables	95	103

Note 6 Property, plant and equipment

Property, plant and equipment consists of the following asset classes: information technology equipment, furniture, office equipment, and leasehold improvements. The capitalisation thresholds are:

- **Information technology equipment**
\$500 and over
- **Furniture**
No threshold
- **Office equipment**
\$500 and over
- **Leasehold improvements**
No threshold

Additions

An item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Commission beyond one year or more and the cost of the item can be measured reliably. Property, plant and equipment is recorded at historical cost less accumulated depreciation and any impairment losses. Depreciation on items of property, plant and equipment acquired in stages does not commence until the item of property, plant and equipment is in its final state and ready for its intended use. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised in the surplus or deficit as expenditure when incurred.

Disposals

Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The residual values and remaining useful lives of property, plant and equipment are reviewed annually. This review includes a test of impairment to ensure the carrying amount remains recoverable. Any impairment losses are recognised in the surplus or deficit. The estimated useful lives of the major asset classes are:

- **Information technology equipment**
3 to 5 years
- **Furniture**
3 to 10 years
- **Office equipment**
5 to 10 years
- **Leasehold improvements**
3 to 10 years

There was no impairment of property, plant and equipment associated with the impacts of COVID-19.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Note 6 Property, plant and equipment (continued)

	IT assets \$000	Furniture \$000	Office equipment \$000	Leasehold improvements \$000	Total \$000
Cost or valuation					
Balance at 1 July 2019	215	126	78	262	681
Additions	12	1	8	3	24
Disposals	(52)	-	-	-	(52)
<i>Balance at 30 June 2020</i>	<i>175</i>	<i>127</i>	<i>86</i>	<i>265</i>	<i>653</i>
Accumulated depreciation and impairment losses					
Balance at 1 July 2019	172	117	71	262	622
Depreciation expense	24	1	4	1	30
Disposals	(52)	-	-	-	(52)
<i>Balance at 30 June 2020</i>	<i>144</i>	<i>118</i>	<i>75</i>	<i>263</i>	<i>600</i>
Carrying amounts					
<i>At 30 June 2020</i>	<i>31</i>	<i>9</i>	<i>11</i>	<i>2</i>	<i>53</i>
Cost or valuation					
Balance at 1 July 2018	186	126	78	333	723
Additions	32	-	-	-	32
Disposals	(3)	-	-	-	(3)
Additions – Other	-	-	-	(71)	(71)
<i>Balance at 30 June 2019</i>	<i>215</i>	<i>126</i>	<i>78</i>	<i>262</i>	<i>681</i>
Accumulated depreciation and impairment losses					
Balance at 1 July 2018	148	114	67	294	623
Depreciation expense	27	3	4	-	34
Reductions – Other ¹	(3)	-	-	-	(3)
Disposals	-	-	-	(32)	(32)
<i>Balance at 30 June 2019</i>	<i>172</i>	<i>117</i>	<i>71</i>	<i>262</i>	<i>622</i>
Carrying amounts					
<i>At 30 June 2019</i>	<i>43</i>	<i>9</i>	<i>7</i>	<i>-</i>	<i>59</i>

Property, plant and equipment have been assessed for impairment and no provisions for impairment have been made.

Note 7 Intangible assets

Software acquisition

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Assets are capitalised if the purchase price is \$5 000 or greater.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The Commission's intangible assets are acquired software with useful life between 3 to 15 years.

	Actual 2020 \$000	Actual 2019 \$000
Cost or valuation		
Balance at 1 July	165	165
Additions	29	-
<i>Balance at 30 June 2020</i>	194	165
Accumulated depreciation and impairment losses		
Balance at 1 July	155	150
Amortisation expense	5	5
<i>Balance at 30 June</i>	160	155
Net carrying amount	34	10

There was no impairment of intangible assets associated with the impacts of COVID-19.

Note 8 Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Creditors and other payables are non-interest bearing

and are settled on commercial terms and conditions, normally 30 days or less. Therefore, the carrying value of creditors and other payables approximates their fair value.

	Actual 2020 \$000	Actual 2019 \$000
Payables – exchange transactions		
Accrued expenses	220	193
Creditors	-	107
Payables – non-exchange transactions		
Taxes payable (PAYE)	3	58
Other payables	5	6
Total creditors and other payables	228	364

Note 9 Lease incentive

Any unamortised lease incentive received is recognised as a liability in the *Statement of Financial Position*.

	Actual 2020 \$000	Actual 2019 \$000
Current portion	7	5
Non-current portion	46	53
Total lease incentive	53	58

Note 10 Employee entitlements

At balance date, any unpaid employee entitlements earned by employees for salaries and annual leave are recognised as a liability in the *Statement of Financial Position* and recognised in the surplus or deficit. Entitlements are calculated on an actual entitlement basis at current rates of remuneration. The Commission recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where a past practice has created

a constructive obligation. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave to be taken in future years by employees of the Commission is estimated to be less than the annual entitlement for sick leave.

The Commission does not offer retirement or long service leave benefits to its employees.

	Actual 2020 \$000	Actual 2019 \$000
Accrued annual leave	128	113
Accrued salaries and wages	59	50
Total employee entitlements	187	163

Note 11 Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Commission is required at the expiry of the lease term to make good any damage caused to its leased office premises, and to remove any fixtures or fittings installed by the Commission. The Commission has the option to renew this lease, which affects the timing of expected cash outflows to make-good the premises. The cash flows associated with provision are expected to occur in March 2025. Information about the leasing arrangement is disclosed in note 3.

	Actual 2020 \$000	Actual 2019 \$000
Lease make-good		
Non-current portion	65	75
Total provisions	65	75

Movements within the provision:

	Actual 2020 \$000	Actual 2019 \$000
Balance at 1 July	75	68
Discount unwind/(additional discount) and changes to discount rate	(10)	7
Balance at 30 June	65	75

COVID-19 impacts are reflected in the assumptions for inflation and resulted in a small increase to provision for lease make-good as at 30 June 2020.

Note 12 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus / (deficit)

The Commission is subject to the financial management and accountability provisions of the *Crown Entities Act 2004*,

which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, while remaining a going concern.

	Actual 2020 \$000	Actual 2019 \$000
Balance at 1 July	953	1 051
Surplus/(deficit) for the year	135	(98)
Balance at 30 June	1 088	953

Note 13 Contingencies

The Commission has no contingent liabilities and no contingent assets (2019: Nil).

Note 14 Events after the balance date

There were no significant events after the balance date (2019: Nil).

Note 15 Financial instruments

	Actual 2020 \$000	Actual 2019 \$000
Loans and receivables		
Cash and cash equivalents	1 439	1 441
Debtors and other receivables	-	39
Total loans and receivables	1 439	1 480
Financial liabilities measured at amortised cost		
Creditors and other payables (excluding income in advance)	225	306
Total financial liabilities measured at amortised cost	225	306

Financial instrument risks

The Commission is party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, accounts receivable, and accounts payable. The Commission has policies to manage the risks associated with financial instruments. The Commission seeks to minimise exposure from financial instruments and does not enter into speculative financial instrument transactions.

Market risk

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to cash flow interest rate risk is limited to on-call bank accounts and short-term deposits, arising from the investment of surplus cash due to the timing of cash inflows and outflows.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Commission, causing it to incur a loss. The Commission invests surplus cash with registered banks. In the normal course of business, the Commission is exposed to credit risk from cash and term deposits with banks,

debtors and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the *Statement of Financial Position*. Westpac Banking Corporation is the Commission's main bank and has a Standard & Poors rating of AA-.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. The Commission has a low exposure to liquidity risk as it does not enter into credit arrangements, except for those available from suppliers as part of normal operating agreements. The Commission manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and aims to maintain sufficient funds in current and on-call bank accounts and short-term fixed deposits to meet forecast liquidity requirements.

Note 16 Related party transactions

The Commission is a wholly-owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that is reasonable to expect the Commission would have adopted in dealing with the party at arm's length in the same

circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

The Commission purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. This included the purchase of administrative support services from the Inland Revenue, electricity from Meridian Energy, travel from Air New Zealand, postal services from New Zealand Post, data and publications from Property IQ NZ and Stats NZ, and professional development involving the University of Waikato and Victoria University of Wellington. In addition, services were purchased from Victoria University of Wellington (see below). All related party transactions have been entered into on an arm's length basis.

Key personnel

The following transactions were entered into during the year with key personnel:

- Professor Sally Davenport's appointment as Commissioner is through secondment from Victoria University of Wellington. The Commission purchased services from the University for professional development, library services and a short-term internship. The services were arranged and negotiated by Commission management at market rates.

Commissioners are appointed by the Crown and constitute the Board for the purposes of the *Crown Entities Act 2004*. In addition to their role with the Commission,

Commissioners have other interests and may serve in positions with other organisations, including organisations to which the Commission is related. Potential conflicts of interest are declared in an interests register. No Commissioner was exempted during the year from the requirement to not vote or take part in any decision despite being interested.

Refer to note 2 for a breakdown of key management personnel compensation.

Note 17 Explanation of major variances against budget

The net surplus for the Commission, from 1 July 2019 to 30 June 2020 was \$135 000 (2018–19: net deficit of \$98 000). In terms of the surplus, the key area of underspend was \$230 000 due to carrying vacancies in senior positions (ie, Director & Principal Advisor). This was offset by an overspend in flexible resourcing of \$106 000 for specialist consultants for inquiry work.

Note 18 Impact of COVID-19

We have assessed the impact of COVID-19 on the Commission's financial statements and identified that the only impact was a minimal decrease in provision for lease make good due to lower inflation rate. No other adjustments were identified or required. The main factors contributing to this conclusion are:

- The Commission's operations continued without interruption during the pandemic.
- The Commission's revenue, expenses and cash flows were not impacted.
- The rest of the Commission's balance sheet accounts were not impacted.

Governance and management

Board



Murray Sherwin, CNZM
Chair



Andrew Sweet
Commissioner



Professor Gail Pacheco
Commissioner

Leadership team



Daiman Smith
General Manager



Judy Kavanagh
Inquiry Director



Doctor Patrick Nolan
Director, Economics
& Research
Acting Inquiry Director

