

## ***Welcome to conference***

Kia ora koutou katoa

Good morning everyone. It's my pleasure on behalf of the Productivity Hub to welcome you all to the 2018 Productivity Conference on "Technological Change and productivity".

I'm Donna Purdue, Chief Economist at the Ministry of Business, Innovation & Employment or MBIE as most of you will know it. Our agency's vision is to Grow New Zealand for All; a vision that underpins all the work we do. Improving our productivity performance is central to achieving that vision and technology obviously plays a critical role in that process.

We are privileged today to have a fantastic line-up of speakers joining us to share their knowledge and expertise.

I would like to acknowledge and thank the Minister of Finance, Grant Robertson, for agreeing to deliver the closing address later this afternoon.

We will also hear from a number of international guests throughout the day, including:

- Dirk Pilat from the OECD;
- Professor Patrick Dunleavy from the London School of Economics;
- Professor Geoffrey Heal from the Columbia Business School;
- Professor Fillipo Di Mauro from the National University of Singapore and Chairman of CompNet; and
- Dr Abrie Swanepoel, from the Australian Department of Industry, Innovation and Science.

I was lucky to be able to attend a dinner with them all last night and I have no doubt we will all take away some valuable learnings and insights from their presentations today, in addition to those from our NZ based speakers.

I'd like to acknowledge and thank Dr Patrick Nolan, and others working behind the scenes, for putting in such a huge amount of effort on behalf of the Productivity Hub to make sure today's conference is a success.

The Productivity Hub Board would also like to thank today's sponsors – MBIE; the New Zealand Productivity Commission; Statistics New Zealand; and the Treasury. Their ongoing support means that an event of this calibre can be provided without charge to attendees.

And to all our participants here today, we really appreciate you taking the time out of your busy schedules to be here.

-----

Last week, a colleague of mine at MBIE asked me a question. He asked:

*“Is productivity really the problem?”*

He went on to say: “We’ve been talking about it for decades but nothing has changed. And isn’t our poor performance just because the pace of tech change means we can’t measure what we do anymore?”

This is not the first time I have been asked this question. In fact, it has been a common question through the pre-and post-election period as we have been thinking about the Government’s economic strategy. The question highlights a number of issues:

- Firstly, as economists and academics we can do a better job of explaining productivity and why we think it is important.
- Secondly, productivity means different things to different people. How economists or academics think about productivity is not typically how businesses think about productivity. Even so, I think most of us here will agree that it’s not the diagnosis that’s the problem. It’s finding the right combination of solutions to improving it.
- Thirdly, in order to find those solutions, we need to make better use our data and research and more specifically to use it to find more compelling stories about productivity.

To me, today’s conference is partly about discovering and sharing those compelling stories. In the recent words of our Prime Minister, it’s about the “why”:

- why is productivity important;
- why are our businesses slow to adopt and adapt new technology;
- why do we need better measurement of productivity;
- why are the energy sector and public sector important.

As economists, researchers and policymakers our role is to help answer these questions and importantly to work together to provide the best solutions.

### ***Scene setting***

Working together is more important now than ever. The economic environment is changing fast.

Technology change is one example. The growing adoption of technologies including cloud-based services, machine-to-machine automated processes, 3D printing, and autonomous vehicles, are changing the way we interact, shop, do business and work. Sometimes referred to as the fourth industrial revolution, these technologies could be as disruptive to models of production as earlier revolutions. The good news is, we have an opportunity to manage the process and to ensure we enable progress and reap the gains that new technologies offer.

Our first keynote speaker Dirk Pilat from the OECD will talk to us on the role of technology and more specifically the role digital transformation has to play in lifting our productivity performance. I look forward to hearing more about the work he is doing at the OECD.

But it's not just technology that is changing.

We are also facing changes that present both challenges and opportunities for New Zealand. That is, changes associated with a growing and ageing population, climate change, increasing urbanisation and regional decline, and a shift in global power and the patterns of trade. All of these forces are significant in their own right and all have the potential to disrupt the world as we know it.

Against this backdrop, the traditional growth model is increasingly being challenged, both here and internationally. Setting the appropriate frameworks and letting growth flow is no longer seen as sufficient to deliver the kind of economy people want. People want fairer distribution of the gains from economic growth and greater protection of the environment.

In other words, the type of growth matters. We want a more productive economy, but not at the expense of the environment or inclusion. New technology and more productive use of resources can facilitate this new type of growth. And government policy has a role to ensure the right incentives are in place.

This afternoon we will hear from Professor Geoffrey Heal from the Columbia Business School. He will talk to us about transitioning to a low emissions economy, and in particular the transition we need to make in energy markets.

Connected to this is the distribution of gains.

Concerns about rising income and wealth inequality is growing in many parts of the world with recent research by both the OECD and the IMF suggesting that high levels of inequality may impact growth negatively. But it's more than just a growth impact. Increasing inequality is also likely to detract from broader wellbeing goals.

While the linkages between productivity and inequality are still to be fully explored, without a plan to manage the process, technology-based growth could exacerbate current income inequality trends. To avoid that happening, efforts to address our productivity and inequality challenges need to be considered together rather than in isolation. This means designing policies to ensure that those individuals, businesses and regions at risk of being left behind, can still fulfil their potential and contribute to a more dynamic economy.

-----

Other changes matter too, such as our recent change in Government, and as ever we need to be responsive.

The Government's economic strategy is based around a vision to improve the wellbeing and living standards of New Zealanders through more productive, sustainable and inclusive growth.

The Minister of Finance has stated that to deliver this type of growth, New Zealand needs to transform education and skills training to ensure people are ready for the future of work, and everyone has a chance to participate.

Similar comments have come from recent OECD reports. They highlight the importance of improving access to and the suitability of vocational training will ensure the future workforce is able to use the new technologies that are developed to improve productivity and ultimately incomes and well-being.

The Minister of Economic Development has said that we need a better use of capital – physical, financial and natural – to raise the productiveness of New Zealand. A shift of resources into more productive investment is key but first we need to better understand why that shift is not happening already and the role new technologies could play in assisting that reallocation.

### **Gaining new and fresh insights**

Data has a big role to play.

More accurate measurement of productivity will remain a key priority. But perhaps more importantly, we need a better understanding, availability and use of data and analytics if we are to take a more holistic approach to economic policy and respond to change.

Measuring wellbeing is something I know both Stats NZ and Treasury, among others, are working on and we look forward to this work progressing further. With appropriate measurement of wellbeing, not just traditional metrics of GDP and income, we can build the compelling stories of what we want to achieve and better understand where investment needs to take place to ensure that it happens.

In our second session this morning, we will hear more about the growing potential of data, including micro-data at the firm level, to generate new and fresh insights. Our panel discussion on "How can data help lift our productivity performance" includes speakers from Stats NZ, the National University of Singapore, the Australian Department of Industry, Innovation and Science, and Google so it promises to be a broad-ranging and interesting session.

### **The role of government**

Another area the conference will be focusing on today is improving the effectiveness of government services through technology change. We are privileged to have Professor

Patrick Dunleavy from the London School of Economics here to provide his insights and expertise on this topic and he will be speaking in the third session after lunch.

The Productivity Commission is currently undertaking an inquiry into measuring and improving productivity in public services and released its draft report in December last year. They found that productivity measurement is possible and desirable, but for large parts of the state sector (and consistent with my opening comments), there is little understanding or measurement of productivity. They argued three things were needed:

- using productivity information to prompt discussions about improving public services
- greater recognition of the value of productivity measures and buy-in by staff and
- better sharing and integration of data between and within agencies

I would add that public service also needs to take ownership of who it wants to be. We need to recognise that what we do, and how we do it, matters. We have an opportunity to lead by example by showcasing best practice not only in the way we regulate and do policy, but in the way we employ, procure and invest.

### **Conclude**

Before I finish, let me thank you all again on behalf of the Productivity Hub for taking the time out of your busy schedules to be here today. I am really looking forward to the discussions.

It is an exciting time to be involved in economics, and I think we have a real opportunity to engage with a receptive government, and perhaps more importantly to show the Government we're up for the challenge. By that I mean focusing on the longer term, continuing to identify the factors that are causing our businesses to lag behind and designing policy that deals with trade-offs and promotes collaboration across the economic and social spheres. And most importantly, using our data and research to find those stories that bring research and policy together in a compelling way.

Let me conclude with a quote from former US president Barack Obama. A few months before leaving office Obama wrote in the Economist about the four big challenges his successor would have to tackle – three of which were combating rising inequality; ensuring everyone who wants a job can get one; and, building a resilient economy that's primed for growth. But his number one cited challenge was boosting productivity. He said:

*“Without a faster-growing economy, we will not be able to generate the wage gains people want, regardless of how we divide up the pie.”*

Ngā mihi nui.

Thank you and have a fantastic day.

