



27 April 2023

Productivity Commission
Level 15 Fujitsu Tower
141 The Terrace
Wellington

Via email: info@productivity.govt.nz

To whom it may concern

Issues Paper for the Improving Economic Resilience Inquiry

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide a submission to the Productivity Commission's Improving Economic Resilience Inquiry (the 'Inquiry'). We have focused our feedback on those areas where we consider we can add the most value as detailed below and in Appendix A. Appendix B provides more information about CA ANZ.

Key points:

- We are concerned about labour supply chain disruptions. While we acknowledge that the labour supply chain is not the focus of this Inquiry, the sectors listed all rely on labour in some way.
- Our experience as the leading professional accounting body in New Zealand is that financial sector labour shortages have substantial implications for the country's economy.
- We suggest that consideration be given to adding either the financial sector as an additional sector for the purposes of this Inquiry, or alternatively (and potentially more appropriately), for labour in this sector to be characterised as underpinning and contributing to the success and resilience of other sectors.
- Immigration and education policy settings can be used to enhance the resilience of labour supply chains.
- Much of the compliance burden that falls on businesses comes within the remit of the Finance function. Compliance with emerging corporate reporting requirements will involve considerable investment of time and resources for accounting professionals across the country. The skill shortage already faced by the profession will be exacerbated by the ever-increasing compliance obligations.

Should you have any questions about the matters discussed above or wish to discuss them, please contact Miriam Donald via email at miriam.donald@charteredaccountantsanz.com or phone (64) 272 673 417.

Sincerely,

Peter Vial FCA

New Zealand Country Head

Karen McWilliams FCA

Sustainability and Business Reform Leader
Advocacy & Professional Standing

Appendix A

1. What supply chain disruptions are you worried about?

We are concerned about labour supply chain disruptions. While we acknowledge that the labour supply chain is not the focus of this Inquiry, the sectors listed all rely on labour in some way. The same can be said for all other sectors and areas of the economy. Disruptions in the labour supply chain – whether caused by external events or domestic intervention – will have significant implications for New Zealand’s long-term productivity and prosperity.

Our experience as the leading professional accounting body in New Zealand is that financial sector labour shortages, have substantial implications for the entire economy. All businesses rely on skilled staff with accounting expertise and business skills to function effectively and efficiently, and in accordance with various laws and regulations.

We suggest that consideration be given to adding either the financial sector as an additional sector for the purposes of this Inquiry, or alternatively (and potentially more appropriately), for labour in this sector to be characterised as underpinning and contributing to the success and resilience of other sectors.

The impact of immigration settings

For the past three years, a combination of both the pandemic (and closed borders) and a global shortage of auditors has led to a critical shortage of skilled auditors in New Zealand. Open borders have meant that skilled auditor positions have historically been filled by overseas individuals interested in spending some time (with a proportion of these eventually settling) in New Zealand. When the natural flow of talent halted, a significant shortage of skilled individuals was experienced. This supply chain issue caused significant delays to the completion of both public and private sector audits across New Zealand, compromising the integrity of capital markets, the broader private sector and the public sector.

Extensions to reporting deadlines (and therefore statutory audit deadlines for both public and private entities) and the approval of a border class exemption for 180 external auditors supported the profession as it endeavoured to meet statutory audit deadlines. However, these were stop-gap measures to address the immediate and critical shortage and its effects on workflows.

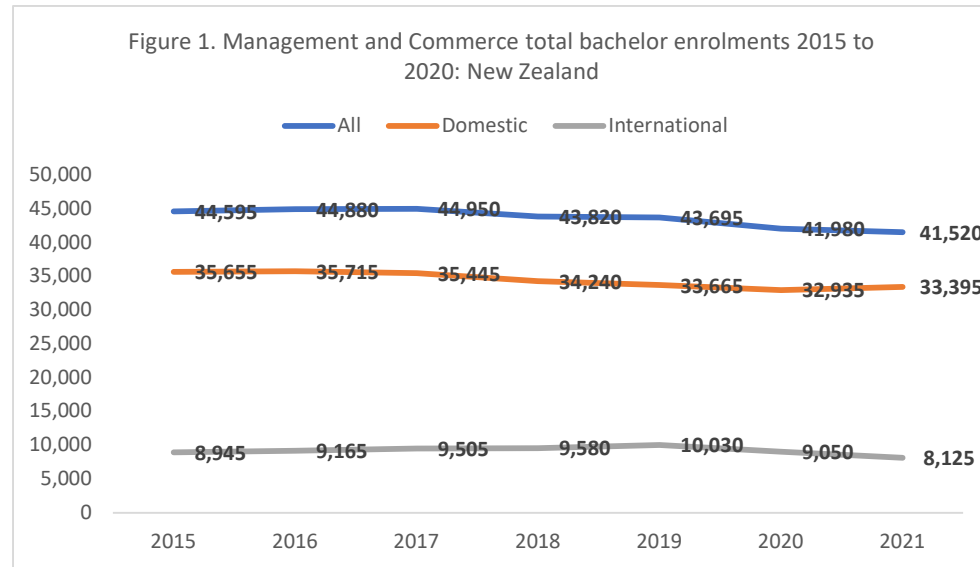
In the case of the accounting profession, the need for a range of measures is crucial given the transferability of skills. Members of the accounting profession benefit from having global mobility and close affiliation with similar professional accounting bodies overseas. This means it can be relatively easy for accountants trained in other jurisdictions to move to New Zealand to take up roles, provided it is an attractive proposition for them to do so. However, the same can be said for New Zealand members of the accounting profession who move overseas. New Zealand must ensure that its reputation is restored as an open and attractive place to live and work, with individuals free to come and go as they please, following the uncertainty driven by border closures during COVID-19.

The impact of education policy and encouraging homegrown talent

Efforts must be made to ensure homegrown talent is developed and nurtured to preserve and enhance the resilience of the medium to long term labour supply chain.

New Zealand cannot solely rely on the assumption that there is a global army of skilled individuals that we can call on as required, even with pragmatic border settings. While immigration settings will continue to be critical for our profession, education policy and the secondary and tertiary curricula are critical in ensuring a strong domestic talent pipeline.

Enrolments in tertiary accounting degrees have been declining for domestic students since 2016 and for overseas students since 2019 (see Figure 1 below). The macrotrend that we have observed of declining enrolments in university degrees will mean that the typical path to careers in commerce will face disruption, in both the public and not-for-profit sectors.



Source: <https://www.educationcounts.govt.nz/statistics/tertiary-participation>

This decline will likely be exacerbated by the recent curriculum changes. In particular, we are concerned that the absence of a strong accounting component in the new NCEA Level 1 Commerce subject (and the flow on effect on the uptake of NCEA Level 2 and 3 accounting) will result in school students having very little opportunity to develop business acumen and financial literacy, both of which are crucial skills regardless of the career paths they choose to follow.

Developing financial literacy early means young adults will be in a better position to make good financial decisions, particularly later in life. The Government has a leadership role to play in educating the New Zealand population to support the improvement of financial literacy and numeracy skills. We would encourage the Government to seek ways to enhance the financial acumen of future generations. One way to achieve this outcome is by ensuring there is appropriate accounting content in the secondary school curriculum.

We consider a robust and thorough review of the current pilots of the Commerce subject should be conducted prior to any implementation of the new curriculum. That review needs to include in its scope the implications for the pipeline of students into Level 2 and 3 Accounting, the effectiveness of the accounting component of the Commerce subject, and an assessment of the level of business acumen and financial literacy acquired by school students.

The impact of broader corporate requirements

Businesses are facing broader corporate reporting requirements across a variety of areas including climate, nature, modern slavery, pay transparency, anti-money laundering, and business payment practices and many of these requirements fall on the finance function.

As a public good advocate, CA ANZ is broadly supportive of the direction of travel in these new areas of law and regulation. However, fully complying with these requirements will involve considerable investment of time and resources for accounting professionals across the country. The skills shortage already being faced by the profession is resulting in more significant workloads for finance professionals in the immediate term. It is critical that agencies of Government work together more effectively and cohesively. Joined up Government will assist in ensuring compliance requirements are more cohesively managed.

A separate but related issue is the risk of talent leakage. These emerging areas for reporting (and in some cases, assurance) require significant new expertise. There is a risk that, as other jurisdictions start to move in the same direction with similar legal and regulatory requirements, the New Zealand talent pool will become more in demand overseas. This could encourage some experts to leave New Zealand, resulting in further strain being placed on our New Zealand talent pool. We encourage Government to consider ways to address the talent leakage we anticipate.

2. What is your industry/community currently doing or planning to do to address supply chain concerns?

CA ANZ is engaging in various initiatives to enhance the resilience of the labour supply chain, including:

- Attractiveness of the profession

Accounting has historically been seen as a traditional, stable career that people enter and remain in for their entire working lives. However, technology is evolving the nature of the role creating many new and diverse job opportunities for Chartered Accountants across all sectors of the economy. There has also been a perception that accounting roles, along with other traditional professional roles like law and banking, are high pressure roles where people work long hours and have little work life balance.

CA ANZ is working on a range of initiatives to improve the perceived attractiveness of accounting as a career, and to promote the diverse range of opportunities a CA qualification can lead to. We are also advocating for better education of high school and university career guidance counsellors and Human Resources professionals on the demand for accounting skills and the attractiveness of a career in accounting.

- Introduction of non-accredited degree and non-degree pathways

CA ANZ has introduced a non-accredited degree pathway, which allows graduates in other disciplines to enter the post-graduate CA Program. This pathway is proving popular and attracting graduates from many different disciplines, who recognise the benefits the CA Program offers. We are also introducing a non-degree pathway as an additional academic entry pathway to the CA Program. This non-degree pathway is supported by employers.

- Accounting in high schools

CA ANZ is working with a range of stakeholders to identify and contribute to increasing the profile of studying accounting. This includes through the Tertiary Education Commission (TEC), identifying ways to engage and encourage our members to participate in a range of activities including the TEC's "Inspiring Futures" series. We are also continuing our work with the Young Enterprise Scheme (YES), assisting both students and teachers to gain greater insights into the profession through their program and our sponsorship of the YES National Excellence Awards.

3. How can the government help to enhance the resilience of your industry/community to supply chain disruptions?

Medium to long-term measures are required to ensure that labour supply chains are more resilient to external shocks. These measures should ideally be in a range of policy areas all designed to protect the sustainability of talent. We elaborate on these areas in question 1.

4. What should the Commission study to learn more about the economic resilience of industries and communities?

No specific comment.

Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 135,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.