

17 February 2020

New Zealand Productivity Commission
PO Box 8036
Wellington 6143

Via website: www.productivity.govt.nz/make-a-submission

Dear Sir or Madam

Submission on the Technological Change and the Future of Work draft report series

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to provide a submission to the New Zealand Productivity Commission on the *Technological change and the future of work* draft report series (the reports).

We have focused our feedback on those areas in the reports where we consider we can add the most value. We have built on the submissions we made on the earlier Discussion Document. Appendix A provides our detailed submission and Appendix B provides more information about CA ANZ.

Key Points:

- As noted in our previous submission, CA ANZ supports the objectives of this inquiry and the draft reports. Disruptive technological change is creating both opportunities and risks for New Zealand workers, businesses and the economy as a whole, and the country must be well prepared for the level and volume of change that lies ahead.
- New Zealanders are generally enthusiastic technology adopters - unsurprising given the country's geographical distance from major population centres; our openness to globalisation, ideas and trends; and our awareness of the critical need to be connected with the world. Nevertheless, many New Zealanders (both workers and business owners) remain uncertain about both technology itself and about what successful adoption of that technology looks like. In our view there is a need for more Government engagement and leadership in driving the adoption of technology and in responding to the exponential changes to the world of work that lie ahead of us.
- We support the Government's desire to ensure the education and skills-training sector is fit for the future. This must include providing appropriate support for both retraining workers disrupted by technology, and implementing policy settings that enable the acquisition of adaptable skills and foster life-long learning. This policy shift is particularly crucial given that traditional '9 to 5' life-long employment is increasingly being replaced by flexible (and often remote) portfolio careers. Policy agility is critical.
- The Government must establish an appropriate policy framework to encourage business innovation. This framework must encourage collaboration between the Government, education providers, employers and workers that delivers best practice technology adoption. In our view, in

the absence of the Government acting as a leader of technology adoption and a champion of agile policy responses, New Zealanders' adoption of, and openness to, technology and the new world of work will continue to lag behind the experience in comparable economies. .

Should you have any questions about this submission or wish to discuss it, please contact Karen McWilliams via email at karen.mcwilliams@charteredaccountantsanz.com or phone (612) 8078 5451.

Yours sincerely,



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Appendix A

General comments

CA ANZ supports the objectives of this inquiry. Disruptive technological change is creating opportunities and risks for New Zealand workers, businesses and the economy, and the country must be prepared for change.

CA ANZ and its members are focused on the future of work and disruption. We refer you to our research findings and conclusions, which are summarised in the following publications:

- [*The Quest for Prosperity: how can New Zealand keep living standards rising for all? \(2017\)*](#)
- [*The Future of Trade: are we ready to embrace opportunities? \(2017\)*](#)
- [*The Future of Talent: opportunities unlimited \(2017\)*](#)
- [*The Regulator of 2030: Regulating our digital future \(2017\)*](#)
- [*The Future of Work: how can we adapt to survive and thrive \(2016\)*](#)
- [*Disruptive Technologies: Risks and opportunities \(2015\)*](#)

Draft Report One – New Zealand, technology and productivity

We broadly agree with the findings as outlined in this report.

Draft Report Two – Employment, labour markets and income

Recommendation 2.1 - Stats NZ should work with the Ministry of Business, Innovation and Employment and Inland Revenue to improve measurement of non-standard work and of work mediated by digital labour platforms.

We agree with this recommendation, given the complexities of defining ‘gig work’ and proliferation of remote employment opportunities. Non-standard work blurs the traditional employer / employee relationship and requires a different approach to both measurement and mediation. We agree that the various agencies within the Government need to work together to ensure that the approach developed sits within existing frameworks but is also consistent in its application to different employment arrangements.

Recommendation 2.2 The Government should explore options to modify the legal tests for employee status. The tests should focus on the fundamental nature of the work relationship – the extent of employer control, worker autonomy and choice, and the extent of lock-in to a specific firm. Whether work is “fundamental” or “supplementary” to a firm’s business should not be part of the legal test.

While we agree that relevant tests within employment law may need to be reviewed and education may be required (to raise awareness of the consequences of changing working practices, such as the shift away from 9 to 5 office-bound working), we caution against the Government endeavouring to make wholesale changes to employment law. As we noted in [*our Better Protections for Contractors submission*](#),¹ the common law tests for determining employment status have evolved over a considerable period both in New Zealand and other common law jurisdictions. We would not support any move by the Government to amend these tests. It is for the courts, as they consider the cases before them, to determine how the existing tests should evolve, taking into account changes in the law, commercial practice, and societal expectations.

¹ See page 8 of the submission.

Recommendation 2.3 To give greater legal certainty to firms that wish to offer independent contractors a wider range of benefits and support, the Government should explore options to provide some form of “safe harbour” that reduces the risk of legal challenge to the employment status of their contractors.

Please see our comment above.

Recommendation 4.1 The Government should not create new or expand existing labour-market programmes without considering issues of system architecture, service commissioning and evaluation.

We agree with this recommendation, but please see our comment above regarding changes to the employment law framework. From a public policy perspective, any changes made should not undermine the current framework but instead be designed in the context of the roles and responsibilities of different organisations operating in the social services system.

Question 5.1 Does Figure 5.1 fully capture the factors that influence the technology adoption decisions of New Zealand firms? Which factors are the most influential, and why?

Yes, we consider that Figure 5.1 fully captures the factors that influence the technology adoption decisions of New Zealand firms. We consider balanced regulation (i.e. regulation that incentivises action but without creating an onerous burden) to be the most influential factor, as we noted in our comments on [The Regulator of 2030: Regulating our digital future \(2017\)](#).²

Question 5.2 What adjustment costs discourage firms from adopting technology? How relevant are they in a New Zealand setting?

New Zealand is a follower of global trends, so perceived uncertainty about technology itself as well as what successful adoption looks like is likely to be the most significant barrier to technology adoption by business. Adjustment costs with respect to actual adoption of technology include the cost of access to relevant skillsets (through higher salaries and / or training costs), and internal organisational capability (which may require capital / intangible outlay). These adjustment costs will naturally differ by firm size and sector – and New Zealand’s small-to-medium business economy is unlikely to have the necessary resources available to adopt technology without some form of governmental support.

Question 5.3 How difficult and expensive is it for New Zealand firms to adjust their workforces when adopting technology? More specifically, how does employment protection legislation affect their ability to:

- **upskill existing workers?**
- **hire new workers?**
- **change the work performed by existing workers?**
- **make existing workers redundant?**

For general reference, we refer to our publication [Disruptive Technologies: Risks and opportunities \(2015\)](#),³ which noted that the sectors and regions will be impacted differently by technological change. This is not a case of one size fits all. The costs to firms will depend on the degree to which work is routine in nature and can be replicated easily by robotics and automation. Given the New Zealand economy is relatively young, relatively robust fiscally and relatively less regulated than other comparable economies, New Zealand businesses should be relatively resilient and flexible with respect to technological change and workforce agility, but are likely to still find technology adoption to be a time and cost-intensive process.

Please also refer to our comments above with respect to employment law changes.

² See the section covering *The regulator of 2030* from page 18.

³ See the section covering *Risks and Opportunities* from page 21.

Question 5.4 What influences the attitudes of New Zealand workers and the public towards technology adoption in the workplace?

New Zealanders are generally enthusiastic technology adopters (unsurprising given our geographical distance, openness to globalisation, and recognition of the need to be connected). Nevertheless, many New Zealanders (both workers and businesses) remain uncertain about both technology itself and about what successful adoption looks like. In our view there is a need for more Government engagement and leadership in driving the adoption of technology and responding to the exponential changes to the world of work that lie ahead.

In our view an appropriate framework must be developed to encourage business innovation. This framework must encourage collaboration between the Government, education providers, employers and workers that delivers best practice technology adoption. In our view, in the absence of the Government acting as a leader of technology adoption and a champion of agile policy responses, New Zealanders' adoption of, and openness to, technology and the new world of work will continue to lag behind what is experienced in comparable economies. .

Question 5.5 What adjustment costs drive workers' fears of technology adoption in New Zealand?

Our research suggests that greater awareness is required amongst employers of the training necessary for technology-friendly skill development and the costs associated with this training. Nevertheless, the shift towards informal, 'on-the-job' training helps to lower cost pressures on employers and reduces the perceived barriers to technology adoption.

Question 5.6 Does it make sense to group New Zealand with the other four "Anglosphere" countries in Figure 5.3? If not, where would you place New Zealand?

Yes, we agree with the grouping shown in Figure 5.3. This grouping is similar to the one used in our own research. However, we believe there is a need to be mindful that New Zealand is comparatively less advanced than the other 'Anglosphere' countries as a result of its smaller workforce and lower expenditure on labour market programmes. We believe there is also a need to learn from the approaches adopted (and the successes and failures) in small, non-Anglosphere, advanced economies (e.g. Denmark and Switzerland).

Draft Report Three – Training New Zealand's workforce

Recommendation 3.1 In implementing its reforms of the vocational education and training system, the Government should widen access to work-based education and training to all people in the workforce and to volunteers, rather than restricting access based on employment status. Where apprenticeships or other training programmes need long-term ongoing relationships between trainees and their work-based supervisors, this should be specified in programme requirements, rather than through a legal definition of "trainee".

We agree with this recommendation, given the shift towards individuals pursuing portfolio careers. As we noted in [The Future of Talent: opportunities unlimited \(2017\)](#),⁴ the capacity to pivot – to take the skills an individual has learned in one context and apply them in a different context – will become increasingly important as we all live longer and the traditional concept of one linear career path breaks down further. Implementing this recommendation would ensure the workforce is better skilled and would limit deficiencies in various areas in the future. Implementation is likely to be complex and ongoing funding and resourcing is required.

Recommendation 3.2 In implementing its reforms of the vocational education and training system, the Government should ensure that people legally entitled to work in New Zealand will be eligible for both work-based and provider-based vocational education and training that is connected to their work, regardless of their visa status or length of residency.

⁴ See the discussion on pages 22 and 23.

While we agree with the policy intent of this recommendation, the question of whether there is sufficient funding for such an initiative needs to be addressed. The cost on business needs to be considered as part of the analysis.

Recommendation 3.3 The Ministry of Social Development should remove the 0.125 equivalent full-time student minimum course load for access to student loans for compulsory course fees.

We support the policy intent of this recommendation. Many workers will want to upskill of their own accord and the aim should be to remove barriers to them doing so. Removing restrictions on funding (i.e. student loans) will provide this opportunity, noting that often repayment would occur immediately given the threshold would already be satisfied.

As we noted in [our submission on the Taxation \(Kiwisaver, Student Loans, and Remedial Matters\) Bill](#),⁵ the student loan scheme was introduced to offset the potentially negative effects of higher course fees (e.g. fewer enrolments) and to ensure financial barriers did not deter participation in tertiary education. Therefore, if education and upskilling of the workforce are viewed as priorities, the barriers should be reduced where possible.

Recommendation 3.4 The Government should extend funding eligibility to providers for students who do not intend to pursue full qualifications, and remove specifications that limit the provision of short courses.

We support this recommendation. As highlighted in the draft report, long qualifications are often not suited to those already in the labour force wishing to upskill. Short courses and micro-credentials have the potential to facilitate labour-market dynamism by supporting the adoption of new skills that help individuals adapt to a changing labour market and the future of work.

Recommendation 3.6 To encourage providers to offer recognition of prior learning, the Tertiary Education Commission should remove any reference to inputs (e.g. learning hours) in its definition of an equivalent full-time student.

We agree with the policy intent of this recommendation – particularly in light of the research underlying both the reports and the Productivity Commission’s *New models of tertiary education*. At this stage and until different models are developed at a policy level, full time learning hours remains the best measure for determining associated funding (particularly noting that hours also drive credit value). Credit value could be a viable alternative, but we question whether this alternative would bring similar challenges. We recommend research is undertaken to identify the underlying shortcomings of the ‘recognition of prior learning’ scheme.

Recommendation 3.7 To reduce duplication and improve accountability, the Government should clarify the roles and responsibilities of the various agencies and organisations in the new vocational education system.

While we agree with the policy intent of this recommendation, we caution against imposing additional administrative complexity.

Draft Report Four – Education New Zealand’s future workforce

Question 3.1 This report identifies challenges and opportunities for reform to the education system in preparing young people for the future of work. What other constraints, issues, challenges and opportunities should the Commission consider?

We agree with the challenges and opportunities identified. We note that the ‘future of work’ is not only about technology. In service-oriented professions interpersonal skills drive much of the value. We

⁵ See page 15 of the submission.

recommend that the 'future of work' perspective on education reform considers the range of skills the future workforce will need to develop, including those skills that are not directly linked to technology.

Draft Report Five – Firms and technology adoption

We broadly agree with the findings as outlined in this report.

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Appendix B

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 125,000 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.