

Submission to the New Zealand Productivity Commission on:

A Fair Chance for All: Breaking the Cycle of Persistent Disadvantage (interim report)

Submitted by the New Zealand Council of Trade Unions Te Kauae Kaimahi
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This submission is made on behalf of the 31 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). Representing over 340,000 union members, the CTU is one of the largest democratic organisations in New Zealand.

The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (CTU), which represents approximately 60,000 Māori workers.

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1. Summary of recommendations

The NZCTU recommends that:

- 1.1. The draft report is overly focused on the issue of reforming beliefs, values, and assumptions. Complementing this with an analysis of the *material basis* of persistent disadvantage in Aotearoa New Zealand would enable a more balanced and effective set of recommendations to be developed in the final report.
- 1.2. The Commission use the concept of *social class* to inform its analysis of the material basis of persistent disadvantage and its reproduction over time.
- 1.3. To address the power imbalances that reproduce persistent disadvantage, it will be necessary to *redistribute* economic capital more equitably in Aotearoa New Zealand. This requires that the reform of beliefs, values, and assumptions is accompanied by concrete redistributive policies. Redistribution should be simultaneous with cultural reform.
- 1.4. Embedding tripartism in the public management system should be a fundamental part of system shift two – “re-focus public accountability settings to activate a wellbeing approach”. Institutionally embedding tripartism would help to ensure that the voices and interests of working people are heard throughout the public management system and that consensus is achieved on the reform of fundamental system settings, which is important in ensuring that such reforms are enduring.
- 1.5. Revising New Zealand’s fiscal framework should be part of system shift three – “broaden and embed a wellbeing approach across policymaking and funding frameworks”. Elements of the current fiscal framework are unfit for purpose and not conducive to the realisation of individual and social wellbeing in Aotearoa New Zealand.
- 1.6. The government’s wellbeing targets should include a full employment objective (part of system shift three). A full employment objective would contribute to addressing persistent disadvantage, as employment not only

provides income but also contributes directly to the four dimensions of mauri ora identified in the Commission's report.

- 1.7. The government's wellbeing targets should include the goal of ensuring the availability of decent work for all New Zealanders (part of system shift three). This is a necessary complement to a full employment objective.
- 1.8. Developing anticipatory governance tools should form part of the system shifts recommended across the interim report. This is necessary to enable Aotearoa New Zealand to meet the challenges of climate change, technological change, globalisation, economic shocks, and demographic change, among others. We recommend that the final report makes concrete recommendations as to how anticipatory governance should be embedded in the public management system, and that a framework for managing economic shocks is a priority area here.

2. Introduction

- 2.1. The Productivity Commission's interim report, *A Fair Chance for All: Breaking the Cycle of Persistent Disadvantage*, examines the root causes of persistent disadvantage in Aotearoa New Zealand and considers how the public management system can be reformed to address persistent disadvantage.
- 2.2. The analysis and recommendations in the report are deliberately "systems-focused": instead of examining specific policy levers and sectors where work could be done, the report examines the "upstream" and often hard to see causes of persistent disadvantage.
- 2.3. At a high level, the Commission argues that the root causes of persistent disadvantage in this country are the "beliefs", "values", and "assumptions" that underpin New Zealand society relating to things like how the public sector should function, colonisation and its impacts, economic development and policy, and social welfare, among others. As the Commission states:

Our hypothesis is that persistent disadvantage largely stems from values and assumptions that underpin our societal, political and economic systems. These values and assumptions shape the decisions that can mitigate or exacerbate power imbalances, and determine how resources and information flow throughout the system to where they are needed. The values and assumptions that have shaped Aotearoa New Zealand's public management system have left it with a limited ability to anticipate and respond to complex problems like persistent disadvantage (p. 59).

- 2.4. To address persistent disadvantage, the Commission argues, we must therefore start by rethinking our core beliefs, values, and assumptions. To this end, the Commission identifies four key barriers to addressing persistent disadvantage in the public management system and four macro-level system shifts that are needed to overcome these barriers.
 - 2.4.1. The four key barriers are: (1) power imbalances; (2) discrimination and the ongoing impact of colonisation; (3) siloed and fragmented government; and (4) short-termism and status quo bias.
 - 2.4.2. The four system reforms are: (1) re-think overall system settings to prioritise equity, wellbeing and social inclusion; (2) re-focus public accountability settings to activate a wellbeing approach; (3) broaden and embed a wellbeing approach across policymaking and funding frameworks; and (4) enable system learning and improvement through evaluation.
- 2.5. Broadly speaking, we think this systems-focused approach is timely and welcome. As the Commission notes, we already have a multitude of initiatives targeting persistent disadvantage (although not necessarily using that language). However, these initiatives operate within the constraints of a system that is not well-designed to address persistent disadvantage and is poorly coordinated. We also recognise that taking this “whole-of-system” approach means the report does not replicate the findings of sector-specific inquiries such as those conducted by the WEAG and the Tax Working Group.

2.6. The report is wide-ranging, making 12 specific recommendations and asking 26 questions of submitters. Given this wide-ranging scope, we have not attempted to address every recommendation or answer every question asked in the interim report. We discuss some key issues we think the final report needs to address or further develop upon; we also make several specific recommendations on selected issues raised in the report. We note our support for the submissions from the Public Service Association and New Zealand Nurses Organisation on the interim report.

3. Social class and the material basis of persistent disadvantage

3.1. The first system shift recommended by the Commission is to re-think macro-level settings in the public management system to better prioritise equity, wellbeing, and social inclusion. The fundamental argument made in the report is that this can be accomplished by adopting and embedding new beliefs, values, and assumptions “that prioritise social inclusion and mauri ora for everyone” (p. 80) throughout the public management system – i.e., cultural reform. It is argued that this shift underpins all the others.

3.2. As evident in the Commission’s central hypothesis, cited in section 2.3 of this submission, and the “iceberg model” that the Commission uses to conceptualise how social systems develop, ideas are given pride of place in the interim report. In the Commission’s view, we form ideas about society, which are then filtered through institutions and power relations to produce concrete policies and practices that determine the flow of resources to different parts of New Zealand society. The resulting theory of change that the Commission adopts is that to change society, we first need to change our *ideas about society*.

3.3. The Commission’s emphasis on the role of ideas in reproducing persistent disadvantage is useful and important. Deep-seated, often invisible ideas about how society and government should and do function are clear barriers to addressing persistent disadvantage. We therefore agree that one important target of system reform is changing the beliefs, values, and assumptions that hold back progress in this area. We also support the Commission’s recommendation that “New values must be grounded in te

ao Māori in recognition of Te Tiriti o Waitangi as the foundational document of Aotearoa New Zealand” (p. 7).

- 3.4. However, the Commission utilises a simplistic theory of how social systems evolve. Although our ideas about the world play a role in shaping social systems – as the Commission argues – it is equally the case that our ideas about the world are *shaped by* social systems and the material conditions in which we live. Just as changing our ideas about the world can generate material change in our social systems, so too, change in our social systems can generate change in our ideas about the world.
- 3.5. In our view, then, the Commission places excessive emphasis on the role of ideas in reproducing persistent disadvantage. This means that insufficient attention is given to the *material basis* of persistent disadvantage. Because of this, the system shifts that are recommended in the interim report, although important, are unlikely to be sufficient to address persistent disadvantage in Aotearoa New Zealand. There is a further significant risk that lip-service is paid to the adoption of new beliefs, values, and assumptions without effective change being advanced.
- 3.6. To address this issue, we recommend that the Commission uses the concept of *social class* to augment its analysis of persistent disadvantage and its reproduction in the final report. We further recommend that to address the power imbalances that reproduce persistent disadvantage, it will be necessary to *redistribute* wealth more equitably in Aotearoa New Zealand. Redistribution is critical in enabling social equity (which is an explicit objective of the interim report) and social mobility. Cultural reform therefore needs to be accompanied by concrete redistributive policies; and the two must be pursued *simultaneously*.
- 3.7. Indeed, it is surprising that a report on persistent disadvantage and its reproduction makes no mention of social class. Some attention is given in the draft report to issues of racial and gender discrimination and the role these forms of discrimination play in reproducing persistent disadvantage – although this analysis is not well developed and needs to be taken further in the final report. Class is an important third term to introduce here. Below,

we make three general points on what the Commission misses by not utilising the concept of class in its analysis of persistent disadvantage. These points are by no means exhaustive.

- 3.7.1. First, the Commission defines persistent disadvantage as *intragenerational* disadvantage – i.e., disadvantage that is perpetuated over the course of one’s lifetime. It is argued that there is insufficient data to examine *intergenerational* disadvantage – i.e., disadvantage that is perpetuated over multiple generations.
- 3.7.2. However, it is very well established in the literature on social class that growing up in chronic disadvantage can severely limit one’s life chances and social mobility. It is well established that children from disadvantaged backgrounds do not have access to the economic, political, social, and cultural capital that children from more advantaged backgrounds do. In turn, this means they are less likely to attain higher education, access social networks that provide job and wealth-building opportunities, or secure stable, well-paid employment, among other things. A lack of empirical data on the extent to which persistent disadvantage is intergenerational in Aotearoa New Zealand should not lead the Commission to ignore the well-established fact that a person’s chances of social advancement are significantly determined by their class background.
- 3.7.3. Second, advantage and disadvantage are *relational* categories – i.e., if one experiences advantage or disadvantage, they experience it *relative to others*. Following from this, advantage is not passively experienced – rather, some actors and groups in society actively exercise and seek to reproduce their advantage over others.
- 3.7.4. These basic ideas are not reflected in the draft report. For example, on pages 50-51, the Commission notes that possessing economic wealth plays an important role in preventing people from experiencing persistent disadvantage. The Commission goes on to note that housing has traditionally provided the asset-base for growing individual and family wealth in New Zealand, but that the house-price

boom over recent decades has meant that this source of wealth creation is now out of reach for many people, who cannot afford to purchase their own home. However, the Commission's presentation of this dynamic is that wealth is a passive resource that may be drawn upon to prevent one from falling into disadvantage – i.e., some people have access to wealth, and this protects them from experiencing persistent disadvantage; meanwhile, others do not have access to wealth and are therefore more likely to experience persistent disadvantage. In reality, wealth is often leveraged by the wealthy to pursue their interests, and this can come at the expense of people lower down the socio-economic hierarchy. Housing is a case in point: by purchasing multiple houses to accumulate wealth, richer New Zealanders shrink the pool of available houses to purchase and contribute to driving home ownership out of reach for some.

3.7.5. Third, building from the first two points, power is not exercised through “voice” alone. In its discussion of power imbalances in Aotearoa New Zealand, the Commission focuses mainly on how power imbalances result in the voices of some groups being amplified in the public management system at the expense of others. As the report states, “When the voices of people with more political power have greater influence, problems and solutions will be based on their experiences and interests, despite the greater needs of people with less power” (p. 65). The solution the Commission proposes is to ensure that everyone must be able to exercise voice in the public management system, and that measures are taken to ensure that the voices of the most disadvantaged New Zealanders are heard.

3.7.6. The problem with this framing is that it is not simply, nor always principally, the voices of groups with more political and economic power that shapes policy in ways that are favourable to them. The most obvious example here is that wealthy New Zealanders and large firms are able to make large donations to political parties to further their interests. Less obviously, large firms and high-net-worth individuals in Aotearoa New Zealand wield the power to determine where and when

private investment is made; in turn, this plays an important role in determining levels of economic development, employment, and government revenue. This power to determine when and where private investment is made means that when government policies are perceived to threaten business profitability – environmental regulations and progressive taxation are good examples – firms may invoke the threat of, or choose to deploy, a capital strike (refusing to invest) or capital flight (disinvestment).¹ The threat or actuality of capital strike/capital flight can shape government policy in ways favourable to business. In both examples, the point is that it is not only “voice” that matters. It is true that actors with greater economic and political power are often able to exercise their voice more effectively in the public management system. But they are also able to leverage their economic power to shape policy in other ways.

- 3.8. In sum, we agree with the Commission that the beliefs, values, and assumptions we hold are very important, and that fundamental reform is needed in this area. But this is at best only one half of the problem. Persistent disadvantage is also rooted in the unequal distribution of wealth and power in New Zealand society. The *redistribution* of wealth and power therefore needs to accompany cultural reform. Without redistribution, there is a risk that the reform of beliefs, values, and assumptions in the public management system becomes mere window dressing.
- 3.9. Ultimately, redistributive policy decisions are made by government, not the public management system. To this end, the Commission should, at minimum, acknowledge in the final report the critical role of redistribution in addressing persistent disadvantage, and the need for cultural reform of the sort advocated by the Commission to be accompanied and enabled by redistributive policies.

¹ This insight goes back to Michał Kalecki’s well-known analysis of the political consequences of full employment policies: see M. Kalecki, “Political Aspects of Full Employment”, *The Policy Quarterly* (1943), <https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-923X.1943.tb01016.x>

- 3.10. However, we recommend the final report goes further than this. One option would be to reaffirm the policy recommendations made by groups such as the WEAG, which provide concrete roadmaps to improving wellbeing and addressing persistent disadvantage. We appreciate that the Commission does not want to replicate the findings of these previous inquiries in *A Fair Chance for All*, and that this has formed part of the terms of reference for the report. However, there is no reason why the Commission cannot *support and endorse* the findings of these inquiries in the final report, noting that they are a necessary complement to – and enabler of – cultural reform in the public management system. Ultimately, it is the policies of elected government that can make the most impact on persistent disadvantage, and this should be acknowledged in the final report.
- 3.11. This last point is particularly relevant in the case of *Whakamana Tāngata*, the 2019 report of the WEAG.² Although government has adopted some of the WEAG's recommendations, *Whakamana Tāngata* stressed the need for *fundamental reform* of the social security system and presented its recommendations as a comprehensive reform *package*.³ On this count, the partial implementation of the WEAG's recommendations by government falls far short of addressing the significant problems with Aotearoa New Zealand's social security system that were identified in the report. Fully implementing the recommendations of the WEAG would go a long way to addressing persistent disadvantage in Aotearoa New Zealand and, unlike with cultural reform, the impact would be felt swiftly and tangibly by those who experience persistent disadvantage.

² Welfare Expert Advisory Group, *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand* (2019), <http://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf>

³ As stated by the WEAG: "We cannot solve the existing problems, let alone create a system that will serve future needs, through further ad hoc amendments or marginal changes. Substantial changes and a fundamentally different societal approach to welfare are needed, if we are to address the inadequacy of existing payments and the complexities resulting from excessive reliance on tightly targeted supplementary and hardship assistance" (p. 55).

4. Public accountability settings and tripartism

- 4.1. The second system shift recommended by the Commission is to re-focus public accountability settings to activate a wellbeing approach. In this section, we pick up on two of the Commission's recommendations relating to re-focusing public accountability: (1) that a national conversation is needed about the strategic purpose and direction of the public management system, and that this needs to be a participatory process that includes the voices and perspectives of all New Zealanders; and (2) that it is necessary to allow a greater range of voices to participate in the development and monitoring of public accountability arrangements.
- 4.2. We recommend that one appropriate means of concretising these proposed reforms is to institutionally embed tripartism across the public management system. This will help to ensure that the voices of working people are heard in government and that consensus can be achieved on fundamental system settings, which is important to ensure the longevity of any reforms.
- 4.3. As noted in the interim report, the status-quo is that business has privileged access to public sector agencies. Workers do not have a comparative level of access to, or influence in, the public management system. Notwithstanding our above comments regarding the issues with focusing on voice alone, this disparity in terms of access and voice needs to be addressed. We recommend that the national conversation around public accountability settings is structured so as to include a meaningful tripartite component. This would go some way towards addressing this disparity.
- 4.4. Embedding tripartism as one of the core values of the public management system, and backing this up institutionally by embedding tripartite engagement structures in policy development, would help to better enable widespread and meaningful public engagement on policy, and also to build trust and incentivise buy-in from all New Zealanders. An example of existing successful tripartite engagement in New Zealand that can be drawn upon here is the Future of Work Forum, which is a partnership between government, the CTU, and BusinessNZ.

4.5. Enabling a national conversation, the co-creation of new system settings, and ongoing engagement in public accountability will only be possible if social partners are adequately resourced to participate. If this does not happen, then existing power imbalances will simply be reproduced. We therefore recommend that the final report makes concrete recommendations as to how social partners should be resourced to enable this participation. Our view is that this should be included in the final report regardless of whether tripartism as such is recommended by the Commission.

5. Embedding a wellbeing approach

5.1. The third system shift recommended by the Commission is to broaden and embed a wellbeing approach across policymaking and funding frameworks. We agree that this is a desirable and important system shift. The interim report asks if submitters think government should adopt further wellbeing targets and whether these should be used alongside fiscal targets.

5.2. We recommend that the government adopt further wellbeing targets and that these are clearly and robustly defined to ensure clarity and accountability. At a high level, we recommend emphasising: (1) the role that central government agencies can play in delivering on wellbeing goals and coordinating across the public management system; and (2) the development of a better value-for-money approach that takes into account not just the financial consequences of investment but also the social and community consequences of investment, and which also accounts for the cost of *not* investing, in both financial and non-financial terms.⁴

5.3. We further recommend three concrete areas where we think reform should be targeted – (1) reforming New Zealand’s fiscal framework; (2) introducing a full employment objective; and (3) introducing a decent work objective.

⁴ See CTU, *Building a Better Future: Creating an Economic Development Strategy Together for Aotearoa New Zealand* (2022), p. 41, <https://www.buildingabetterfuture.org.nz/>

5.4. First, the Commission raises the important issue of whether rethinking New Zealand's fiscal rules should be part of system shift three. In our view, New Zealand's current fiscal rules are not fit for purpose and are not conducive to the realisation of individual and social wellbeing in Aotearoa New Zealand.

5.4.1. New Zealand's fiscal rules are outlined in section 26G of the Public Finance Act. These rules, originally laid out in the Fiscal Responsibility Act 1994, set expectations that government must work to return annual budget surpluses, limit the size of government expenditure, and maintain low levels of public debt. Provisions allow temporary deviations from these objectives, should economic conditions necessitate. However, a strong expectation is set that government must work to these targets over the medium term. As the Commission notes, these rules have become part of New Zealand's political culture. In practice, these rules and this political culture have encouraged low government spending and a myopic focus on debt consolidation while New Zealanders experienced growing levels of poverty, unemployment, and inequality, a deteriorating environment, and a low-value economy.

5.4.2. A better set of fiscal rules would consider revenue, debt, and spending levels as a *part* of the government's wider responsibility to improve wellbeing. The government still has an important responsibility to ensure that debt levels are affordable, and to consider the impact that debt and spending levels have on the economy, including economic growth, employment and unemployment, price stability, and the balance in the country's international receipts and payments. The government also has a responsibility to ensure the quality of spending and consider the distributional effects of its taxation and spending. But this all needs to be judged within a wider framework focused on delivering wellbeing. Pursuing debt and spending targets as ends in themselves is encouraged under the current framework, and this needs to be revised. We therefore recommend that fiscal management frameworks should focus on improving New Zealanders' wellbeing

while ensuring prudent management of the government's debt and quality of spending, and its impact on the economy.

5.5. Second, although we recognise that access to sufficient income and employment are only some of the key dimensions of persistent inequality, we recommend incorporating a full employment objective in the government's wellbeing targets.

5.5.1. A fully employed society has been a long-standing goal of progressive policy, dating back to J. M. Keynes's *General Theory* (1936) and William Beveridge's *Full Employment in a Free Society* (1944). It is also a foundation of the UN's Universal Declaration of Human Rights (Article 23).⁵ Finally, promoting "sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" is one of the UN's sustainable development goals, and New Zealand is obliged to pursue the achievement of this goal.

5.5.2. We recommend that full employment for everyone seeking paid work is a feasible and desirable wellbeing goal.⁶ Such a goal would contribute to addressing persistent disadvantage, as employment not only provides income but can also contribute directly to the four dimensions of mauri ora identified in the interim report (mana tuku iho, mana tauutuutu, mana āheinga, and mana whanake).

5.5.3. We note that the Reserve Bank of New Zealand has a "dual mandate" to maintain price stability and support maximum sustainable employment. However, maximum sustainable employment is not full employment. The theory underpinning the Reserve Bank's policy is that there is a trade-off between inflation and employment – i.e., labour

⁵ The first point of Article 23 reads: "Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment". See <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

⁶ Rose (2021) suggests that an alternative way of framing this goal is "minimising involuntary unemployment". He also suggests setting a numerical target here. See D. Rose, "Fiscal Policy for Full Employment: A Necessary Complement to Monetary Policy Focused on Price Stability", *IGPS Working Paper 21/15* (2021), https://www.wgtn.ac.nz/_data/assets/pdf_file/0011/1983629/igps-working-paper-fiscal-policy-for-full-employment-nov-2021.pdf

market “tightness” (very low levels of unemployment) stokes inflation. We leave aside the fact that there is little compelling evidence that this relationship holds in the contemporary political economy.⁷ The key issue regarding wellbeing is that adherence to this framework means that Reserve Bank decision-makers are prepared to tolerate higher levels of unemployment in order to ensure lower levels of inflation. This has deleterious effects on the wellbeing of tens of thousands of New Zealanders, who are forced into involuntary unemployment as a result.

5.6. Third, we recommend that the government’s wellbeing targets include the goal of ensuring the availability of decent work for all New Zealanders. This is a necessary complement to a full employment objective. Not only should all New Zealanders who want to work be able to find employment, they should be able to find well-paid, secure, safe, and satisfying work.

5.6.1. The International Labour Organisation’s (ILO) Decent Work Agenda, which encompasses employment creation, social protection, rights at work, and social dialogue, is an internationally accepted framework for assessing the quality of work. In brief, the ILO defines “decent work” as “opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity”.⁸

5.6.2. The CTU has built on the ILO’s definition, to define decent work as “work (mahī) that has a lasting positive impact on the worker, the employer, and the wider community. It is work that enhances the mana of workers, affords good pay and conditions, and where both employers and employees are treated with respect and dignity. Good work must be the sum of the aspirations of tangata whenua and tauīwi in their working lives”. The CTU further identifies eight core elements of what constitutes decent work: (1) lifelong learning and mana āheinga; (2) fair wages and economic security; (3) free from worker

⁷ See, e.g., D. Ratner and J. Sim, “Who Killed the Phillips Curve? A Murder Mystery”, *Federal Reserve Board, Finance and Economics Discussion Series* (2022), <https://www.federalreserve.gov/econres/feds/files/2022028pap.pdf>

⁸ ILO, “Measuring Decent Work with Statistical Indicators”, *Working Paper No. 2* (2002), p. 2, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_079089.pdf

exploitation; (4) worker voice; (5) health and safety and wellbeing; (6) meaningful and fulfilling; (7) productive; and (8) environmentally sustainable.⁹ We recommend that the CTU's definition of decent work – provisionally agreed to by the social partners in the Future of Work Forum – provides the appropriate basis for developing the wellbeing goal of ensuring the availability of decent work for all New Zealanders.

6. Anticipatory governance

- 6.1. The value of anticipatory governance is discussed in chapters 6 and 7 of the interim report. Drawing on the work of the OECD, the Commission defines anticipatory governance as a tool (or set of tools) that “help governments to be both forward-looking and innovative [...] Anticipatory governance provides an evidence-based approach to dealing with systematic risks and failures of current policy settings, towards improving strategic longer-term thinking and integrated decision making. Complex and multi-dimensional issues like persistent and intergenerational disadvantage cannot be addressed through reactive and conventional measures”. The Commission argues that anticipatory governance will be an important tool in helping Aotearoa New Zealand address future challenges such as climate change, technological change, globalisation, economic shocks, and demographic change.
- 6.2. We agree with this assessment and recommend that the Commission goes further with this recommendation in its final report. Embedding anticipatory governance in the public management system should form a core part of the system shifts recommended by the Commission. There is already some work being done in this space, such as in the Future of Work Forum's Just Transitions work stream and the development of the Equitable Transition Strategy (led by MBIE and MSD) as part of the government's Emissions Reduction Plan. As noted in the interim report, the Long-Term Insights Briefings, introduced by the Public Service Act 2020,

⁹ See CTU, “CTU Definition of Good Work” (2022), <https://www.mbie.govt.nz/dmsdocument/23304-ctu-definition-of-good-work>

also represent an important step forward in terms of anticipatory governance.

- 6.3. Consideration should be given here to how anticipatory governance frameworks can be developed in a joined-up manner. The Well-being of Future Generations (Wales) Act, passed by the Welsh Parliament in 2015, is an important international example to explore here. The act compels government agencies to consider the long-term and to pursue a joined-up approach to delivering wellbeing. It also established the Future Generations Commissioner, who is responsible for promoting a focus on the long-term across the Welsh public management system. Importantly, the Commissioner must publish a report every five years that considers the progress made towards the Welsh government's wellbeing goals and makes a set of recommendations as to necessary improvements.¹⁰
- 6.4. We further recommend that an important area where an anticipatory governance framework needs to be developed is how government responds to economic shocks. Economic shocks come in different forms and are caused by both global and local events. The status-quo approach is that government responds in an ad hoc manner to economic shocks. There is a need to be more purposeful here and develop a framework for managing economic shocks that takes into account how best to avoid creating or reinforcing persistent disadvantage in Aotearoa New Zealand. We recommend that this is reflected in the Commission's final report.

7. Conclusion

- 7.1. The CTU congratulates the Productivity Commission on its interim report, *A Fair Chance for All: Breaking the Cycle of Persistent Disadvantage*. The provisional findings and recommendations outlined in the interim report identify some important steps in building a more equitable Aotearoa New Zealand and eliminating persistent disadvantage in our society.

¹⁰ See Future Generations Commissioner for Wales, *The Future Generations Report 2020* (2020), <https://www.futuregenerations.wales/wp-content/uploads/2020/05/FGC-Report-English.pdf>

- 7.2. In our view, the recommendations made in this submission will help to further strengthen the Commission's final report and contribute to the elimination of persistent disadvantage in Aotearoa New Zealand.
- 7.3. The CTU thanks the Productivity Commission for the opportunity to engage with this work. We look forward to further engaging with the Commission on the development of the final report and on future inquiries.