



Building a Better Future

**Creating an Economic
Development Strategy Together
for Aotearoa New Zealand**

nZCTU
Te Kauae Kaimahi

Foreword from Richard Wagstaff

The CTU believes that by working together we can build a better economy for New Zealand. This report sets out our goals for that kind of that economy - one that is more productive, more sustainable, and more inclusive. One that recognises the role of tangata whenua as leaders, decision makers, landowners, workers and business owners. New Zealand is already the best country in which to be in business according to the World Bank.¹ The CTU also wants to create an economy in which this is the best country in the world to be a worker and kaimahi.²

As New Zealand emerges from the pandemic, the calls from some to 'return to normal' ring hollow. The last three decades have been characterised by a rising housing market, the domination of a few sectors, and wages falling short of output. For too long, the rewards of economic growth have been increasingly privatised, while the negative consequences are increasingly socialised. Aotearoa can't afford an economy characterised by insecurity, division and a lack of infrastructure and accountability.

The CTU has produced some recommendations, but its time to hear from you. Time to hear how the economy is impacting your wellbeing and your communities. Time to hear how we can improve both — together. Over the coming months, the CTU will be travelling the country listening to communities, talking with experts, and discovering what a positive economic development strategy for New Zealand should look like. This is the start of a conversation, not the end.



Richard Wagstaff
NZCTU President

Foreword from Rūnanga

COVID-19 lockdowns have provided Aotearoa with an opportunity to review, refocus and reset for a future that considers Māori and Pasifika as being crucial to the economic wellbeing of Aotearoa. Be bold, be brave kōkiri.



Syd Keepa
Vice President
Māori, Council of
Trade Unions &
NZCTU Rūnanga



Laures Park
NZEI & NZCTU Rūnanga

Our Proposal for Engagement with Aotearoa New Zealand

We're arriving at a turning point in New Zealand's economic history.

We have reached the end of an experiment in a low-regulation, light-touch economy. The results from this model speak for themselves. We have seen some economic growth, together with explosive growth in poverty. We have become a global food powerhouse, while our food banks have never been busier. It's time for a new approach. It's time to think differently about the purpose of the economy and te ōhanga Māori.

New Zealand needs a new economic strategy that reflects our collective goals and aspirations. A strategy that sets out where change needs to occur and outlines the mechanisms necessary to drive that change.

We believe that the best way to understand what is going on in the economy is to listen. Understanding what actions are necessary to deliver essential change will come from conversations with New Zealanders all over the country. We want to work with organisations interested in building a more productive, sustainable, and inclusive future.

The authors of this report, Craig Renney and Diana Russell, will be joining virtual and in-person meetings around New Zealand until March 2023. We want to engage with voices that are often not heard. We will liaise specifically with Māori and Pasifika communities to make sure that their voices are centred in our report. We will work with the NZCTU Rūnanga to jointly develop the Alternative Economic Strategy, ensuring it includes mātauranga Māori and realises the opportunities for the Māori economy. We will encourage responses at every point of the process.

This is the very beginning of our journey. We know delivering on our economic aspirations will take a long time. We anticipate that the proposals we set out in the final report will be rolled out over several years. This journey, and the proposals that we develop, will be shared on the NZCTU website at buildingabetterfuture.org.nz. It will also be available as a printed report which will be published ahead of the next Budget in 2023.

“We have always known that heedless self-interest was bad morals; we know now that it is bad economics.”³

Franklin Delano Roosevelt, 32nd president of the United States of America.

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Building a Better Future

The economy is central to the lives of every New Zealander. A successful economy is one that enables all Kiwis to live their best lives. It provides security, wellbeing, and equitable outcomes. At its best, the growth in the economy allows us to address our most challenging issues, including the environment, health, inequality, poverty, housing, and infrastructure. But for too long, and for too many people, our economy has failed to deliver on our aspirations.

The NZCTU wants to see our economy developed to be truly productive, sustainable, and inclusive. An economy that puts workers, communities, tangata whenua and the environment at the centre of economic development. An economy that recognises Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand, and where everyone equitably shares in the benefits of economic growth and sees tangible rewards from the value they create. To do this, we need a strategy that sets out how we achieve these goals, and minimise risks in their delivery.

The NZCTU believes that the best way to deliver this strategy is to frame our aspirations in terms of 'missions'. Missions provide both a goal and a direction. Taking a mission approach means that different actors can agree and align their actions to provide maximum benefit. They allow for the development of innovative policy solutions and a quick means of understanding whether a policy is achieving its overall goal.

The NZCTU believes that New Zealand's economic strategy must deliver the following missions:

- Economic equity
- Adequate housing and infrastructure needs for the 21st century
- A Just Transition towards climate mitigation and resilience
- Decent work and greater work/life balance
- Enabling the enduring wellbeing of New Zealanders

These missions must steer our economic development journey in Aotearoa. To deliver these missions we need to fundamentally change how we think about the economy. We need to move away from a narrow view of economic progress. Until now, we have sacrificed our economic wellbeing on the altar of endless growth. Instead, we need to concentrate upon the *quality* of that growth. Growth built upon ever higher levels of consumption has simply led to environmental decay, an indifference towards inequality, and the prioritisation of our short-term needs over our long-run needs.

“What if budgets were based on outcomes to be reached, as they were for the moon landing and in wars? What if the first question is not ‘Can we afford it?’ but ‘What do we really want to do? And how do we create the resources required to realize the mission?’”

Mariana Mazzucato, Mission Economy: A Moonshot Guide to Changing Capitalism

We have an opportunity now to apply the lessons we learned during this pandemic. For many people, ‘normal’ prior to COVID-19 meant an insecure job, and an insecure future. For many New Zealanders, this meant a life on the breadline despite working full-time. It meant working in jobs that had no future or prospects. Despite having the second highest minimum wage, New Zealand currently has one of the lowest average hourly earnings among our peers including the UK, USA, Australia, Canada, and Ireland.⁴ We also have a housing crisis that’s denying Kiwis their right to adequate housing.⁵ The past is a guide to our future, but it should not be our destination. Inaction, and a ‘return to normal’ are not options we can afford to take.

We can achieve these missions, but only by working together. Our vision is an economic strategy that supports communities to work together to solve problems such as climate change, social justice, and inequality. This means working in a true spirit of partnership, honouring our requirements as a Te Tiriti partner, and recognising Te Tiriti o Waitangi as central to this economic strategy. A successful economic strategy for New Zealand is one that engages working people and honours the role they play in our society.

Policy works best when it represents everyone affected by it – as the Future of Work process demonstrates.⁶ We want to develop our economic strategy with everyone who shares our passion for a better future for New Zealand.

The Challenge Facing the New Zealand Economy

The government has done much to tackle the problems facing the economy. During COVID-19 there was a significant programme to support the economy. Wage Subsidy Schemes went hand-in-hand with business support including multi-billion-dollar tax cut packages. This was an essential step in protecting the economy and getting us through the initial waves of COVID-19. Many lives, jobs, and businesses were saved because of that swift action.⁷

However, those packages were designed to tackle the economic problems facing the economy in the short term. Some of the indicators we have now suggest that largely they have worked. Our unemployment levels are at historic lows. Exports increased by 11% last year.⁸ We have not seen the negative economic impacts of COVID-19 that other countries have faced.⁹

But, the long-term economic problems facing New Zealand are the problems that existed before the pandemic. We face a recovery from COVID-19 that is increasingly K-shaped.¹⁰ People with skills, in secure work, and with assets, will continue to do well as the economy comes back from COVID-19. People with insecure work, fewer skills, and low incomes will increasingly feel the impacts of inflation, face housing stress, and a more insecure future.

Many communities were disproportionately impacted by the pandemic, including Māori, Pasifika, and women. In October 2021 only 49% of eligible Māori were fully vaccinated compared to 72% of the overall population. An economic strategy for Aotearoa should ensure that Te Tiriti o Waitangi obligations and equity are forefront and considered at every step of policy decisions.

Some policies have been developed to address these issues. Fair Pay Agreements will create minimum standards for industries such as security, hospitality, and cleaning — ending the race to the bottom for many workers. New Zealand Income Insurance will ensure the costs of economic change and job insecurity doesn’t cause catastrophic loss in communities — as they did in the past.¹¹ **Industry Transformation Plans** will help guide the development of key sectors.

But there is still much to be done. Delivering on the missions that we set out above will mean tackling the interrelated problems of productivity, investment, climate change, infrastructure, taxation, jobs, income, equity and wellbeing. It means setting out a long-term plan that will deliver truly meaningful change for all New Zealanders.

Mission: Economic equity

The NZCTU wants to see an economy built for working people, their families, and the communities in which we all live. The economy is a means to pay for the quality of life that we want for all New Zealanders. It is not a means to deliver ever-rising levels of wealth and income for a select few. The gap between the highest and lowest income earners continues to grow. Over the past two years, incomes for the top 10% of income earners have increased by \$2,188 more than the poorest 10% of income earners, and \$1,337 more than the average earner.¹²

The Prime Minister has said that New Zealand should be the best country in the world in which to be a child.¹³ We can deliver a country where all children grow up in warm, dry, secure homes. A country in which children grow up in safe, well-resourced communities. A country in which children can achieve their potential regardless of who they are or where they come from.

The NZCTU believes that we will only see lasting change in our economy and society if we see greater economic equity in New Zealand. Equity is different to equality. It means that those with the highest needs get support, and those with the highest ability make greater contributions. Countries with higher levels of equity tend to do better than others on a range of indicators from health to economic development. This will require an enabling and active state that delivers high quality public services.

“We imagine that equality is going to occur naturally or spontaneously, a bit like a fairy tale. But the reality is that we also need political institutions, an education system, health care, a transport system and a tax system that targets the highest incomes”.

Thomas Piketty, Capital in the Twenty-First Century

Challenge: Taxation and investment

Investment in our public sector helps deliver economic development. Many of today's firms were born from government-created infrastructure, investment, and regulation. These include Fletcher Buildings, Air New Zealand, Fonterra, and Zespri.^{14 15 16 17 18} Using innovative tools such as a social procurement approach,¹⁹ investment should help ensure that spending delivers both economic and social development outcomes. Our economic development strategy must illustrate how we are going to deliver our long-term investment needs as a country. It must highlight what the cost of inaction has been, and will be, if we get it wrong.

“We have to make the case more strongly that the neoliberal agenda that just lowering taxes and that means lowering public services is not working, it has not led to faster growth. It’s the first time this generation is going to be worse off than the last generation. We have to be thinking that the 21st Century involves changes in our economy that are going to require more public investments because we’re moving into an innovation economy”.

Nobel Laureate Joseph E. Stiglitz²⁰

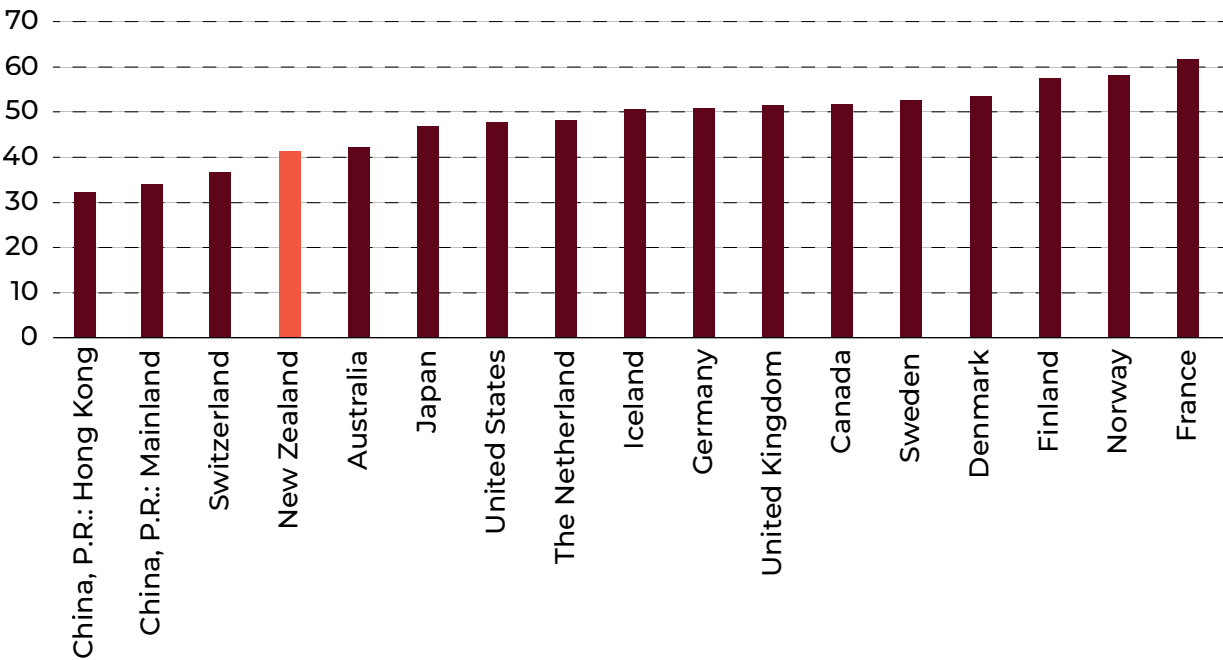
Many countries have struggled to find innovative ways to finance the solutions to their problems. This is particularly difficult in New Zealand where much of our available capital is tied up in housing.²¹ This means that projects and programmes that might provide long-term results are starved of the resources that they need to make a real difference.

In any discussion on economic development, we should acknowledge the role that taxation plays in the economy. Taxation helps drive development and investments. Historically, our taxation system has encouraged investment in ‘unproductive’ assets such as rental housing at the expense of investments in more ‘productive assets’ such as plant, machinery, or new software.

OECD analysis shows that New Zealand is unusual in its taxation system. IRD claims that we operate on a ‘Broad-Based, Low-Rate’ system, which suggests that by taxing many things they can be taxed at a lower level.²² However, evidence from the OECD shows that this is not the case.²³ In reality, New Zealand has a narrow taxation base and an average level of taxation.

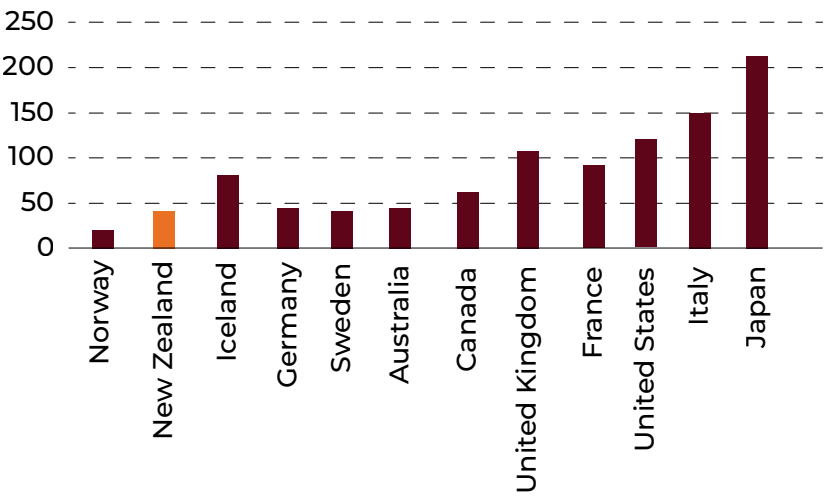
The tax-to-GDP ratio in New Zealand has remained stable at 32.5% in 2000 and 32.2% in 2020.²⁴ We don't tax capital, wealth, or inheritance in ways that are standard overseas. GST — a regressive tax — collects 50% more revenue here than it would do in an average OECD country.²⁵ Company taxes make up 17% of all taxes in Australia – but only 12% of all taxes in New Zealand.

Government Expenditure as % of GDP (2020)



Source: IMF

General Government debt as % of GDP



Source: IMF

These challenges are compounded by our current fiscal system that encourages a short-term focus on stability and an overly conservative position on debt. There is no debt crisis in New Zealand, but we behave as if there permanently was one around the corner.²⁶

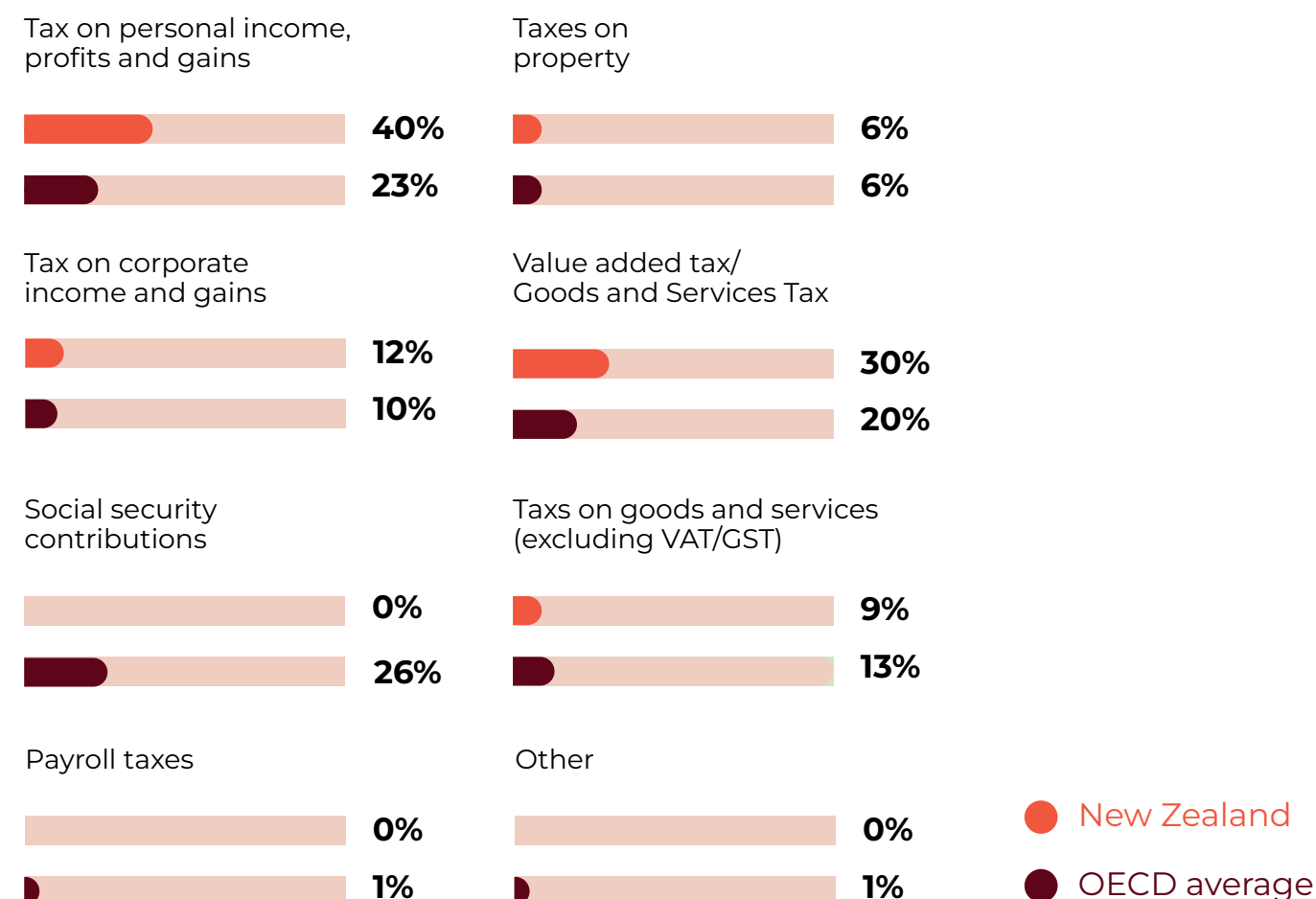
It's time to have a conversation as a country about the kinds of taxation we want to see in New Zealand, and the impact the current system is having on investment. We also need to have an honest dialogue about how we pay for our public goods and services. Most countries we wish to emulate have much higher levels of government spending than New Zealand, and consequently better public services.²⁷

“Effective taxation is essential to promote a more inclusive and sustainable growth”

2018, Ángel Gurría – Secretary-General of the OECD

Tax structure compared to the OECD average, 2019

Source: Center for Tax Policy and Administration



Policy proposal: A National Investment Bank to finance our central economic missions and a new state-owned default KiwiSaver provider

To help address this challenge, we propose the creation of a New Zealand National Investment Bank (NZNIB) modelled on the Scottish National Investment Bank.²⁸ The NZNIB will invest where the private sector is not providing sufficient investment and can support projects seeking to improve our economy. It would provide patient capital (First in Last Out) to de-risk projects that have long-term benefits to the New Zealand economy.²⁹ One of the benefits of patient capital is that it allows projects to focus on long term growth and sustainability alongside positive social and environmental benefits instead of needing to maximise profits at pace.

Initiatives the NZNIB could deliver include:

- A new State-owned default Kiwisaver created to provide all new default Kiwisaver services. There are currently around 380,000 New Zealanders in default schemes.³⁰ This would be an arm of the National Investment Bank and could co-invest in the projects of the National Investment Bank.
- Being a lender for Māori land where the structure of land ownership prevents traditional lending practices, particularly to encourage the development of housing. This is a major market failure in New Zealand and requires significant reform. This section of the Bank would be managed by, and run for, Māori.
- Creating co-financing opportunities. Bonds that are delivering the activities of the NZNIB would be open to other investors such as Kiwisaver funds.
- The NZNIB could be in part funded through a levy on the profits of the largest banks in New Zealand. Banks benefit significantly from the infrastructure and development that the government provides. The 'de-risking' that our government investment provides to banks should be recognised financially.
- The NZNIB would be able to take its 'return' either in interest or in fiscal savings to the Government generated through its activities. It would only undertake this form of financial return where that saving can be directly attributed to its investment.
- It would help finance some of the activities of the Ministry of Green Works and the Just Transition activities set out later in this report.

Mission: Delivering adequate housing and our infrastructure needs for the 21st century

According to the New Zealand Human Rights Commission we face a combined housing and human rights crisis.³¹ Successive governments have made commitments to housing as a human right, as set out in multiple international statutes.³² New Zealand is a signatory to the United Nations Universal Declaration of Human Rights, which identifies the right to adequate housing as a fundamental and inalienable human right.³³ Housing should be seen first and foremost as a place to live, rather than an investment to maximise and extract profits at the expense of basic human needs.

It's also time to address our reliance on cars. We need a strategy to tackle the many barriers to delivering mass transport options such as light and heavy rail. Housing in urban centres should be built within walking distance of amenities and frequent, affordable, and reliable public transport routes.

Untethered growth makes our cities and communities less liveable, more car-dependent and inequitable. High density done well will mean high-amenity areas, low travel times, affordable house prices and a smaller carbon footprint. It also improves economic development and job opportunities. Density done poorly can cause more harm to environments and wellbeing.



Challenge: Lack of adequate housing and an infrastructure deficit

There is no single agency responsible for addressing adequate housing and infrastructure resilience. There is insufficient coordination in the public sector to tackle climate change. Development is often piecemeal, and we deliver infrastructure behind demand.

Not only do we have a housing shortage in New Zealand, but the quality of our housing is also in crisis. Households who rent (roughly 30% of New Zealanders) are nearly twice as likely to live in cold, damp, and mouldy housing as homeowners.³⁴ While the current Government has introduced healthy homes standards, compliance is not being met.³⁵ According to the Ministry of Health, in 2021, more than 9,500 children aged under 6 were hospitalised with illnesses such as respiratory tract infections and meningitis likely caused by inadequate housing.³⁶

In 2020, when UN Special Rapporteur Leilani Farhare declared New Zealand's housing crisis a human rights crisis, she highlighted the following challenges: "At the root of the crisis is a speculative housing market that has been supported by successive governments who have promoted homeownership as an investment, while until recently discontinuing the provision of social housing and providing inadequate tenant protection".³⁷

The cost of housing in New Zealand is significantly contributing to our growing wealth inequality. The housing wait list in New Zealand currently sits at over 26,000 despite record numbers of state house builds being completed and commissioned.^{38 39} Earlier this year median rent in Wellington hit 97% of a minimum wage workers take home pay and real incomes have been declining for over a decade.

"If you don't inherit a home or funds from the Bank of Mum and Dad, you won't own your own home, no matter how hard you work and save. We've calculated that the average Auckland earner would need to save for 17 years for a 20% home deposit, let alone paying off their mortgage. The social divide is already a chasm."

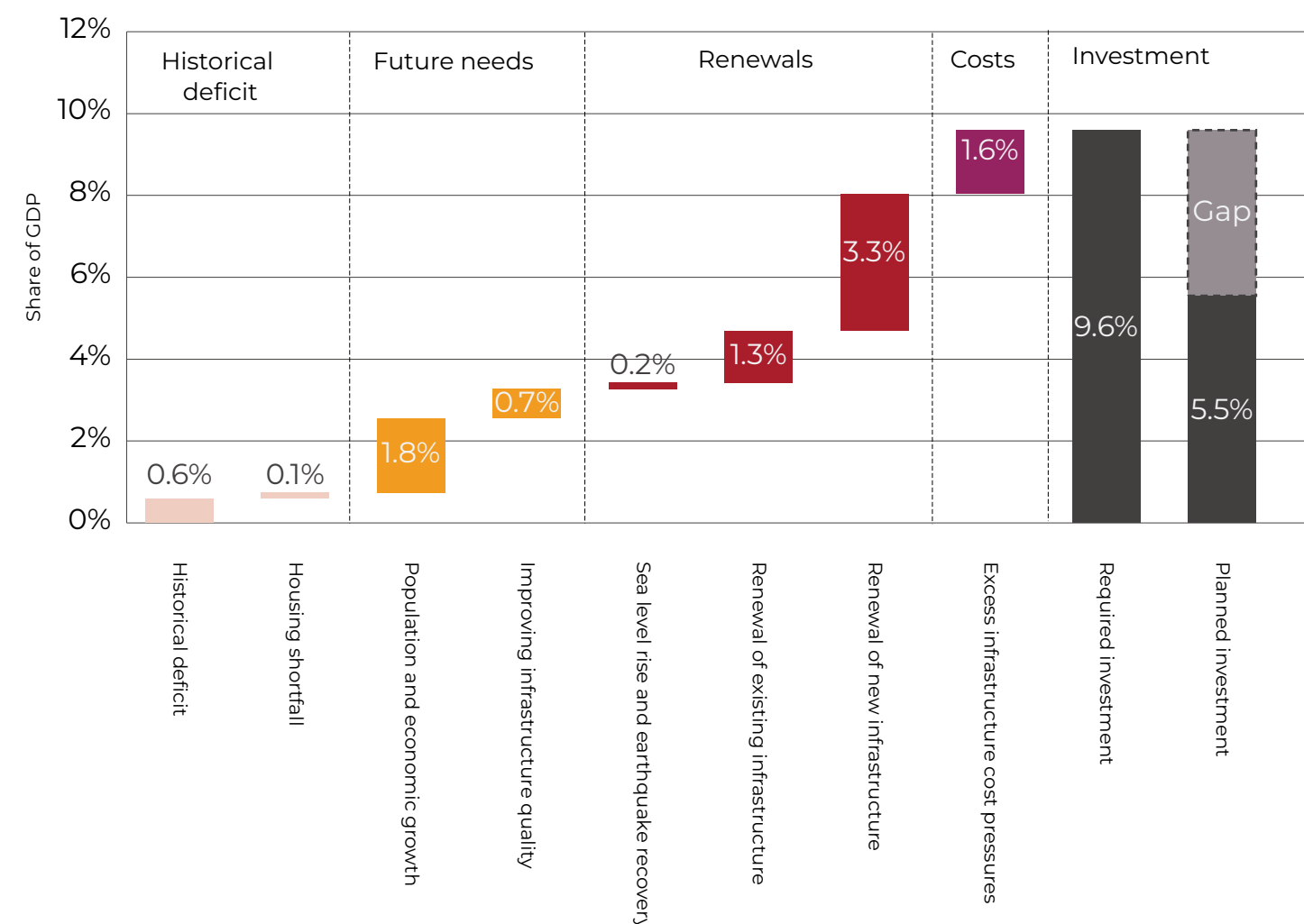
Dot Loves Data director Tamsyn Hilder ⁴⁰

We know that the investments necessary to achieve this mission have not been made over the last few decades. There is a \$104 billion infrastructure gap across the public sector and a further \$106 billion gap in funding for infrastructure across the next 30 years.⁴¹ Basic essentials, like clean drinking water, now require decades of reinvestment to be functional.⁴² Nowhere is this clearer than in the provision of state housing, where supply of state housing lagged demand for many years.⁴³

New Zealand's infrastructure challenge, 2021-2051

Investment would have to nearly double to invest our way out of our infrastructure deficit

Source: Sense Partners



*"Housing affordability is more challenging for renters than existing homeowners. For Māori, [non-Pakeha and] Pacific peoples, the data indicates that they face even higher rates of unaffordable housing"*⁴⁴

The New Zealand Human Rights Commission

Policy proposal: A Ministry of Green Works that delivers on our key missions

To deliver the infrastructure that we need will be an enormous challenge. One that is beyond the scale and capacity of our existing private sector. We therefore propose the establishment of a Ministry of Green Works, based in part on the work of FIRST Union, Max Harris, and Jacqueline Paul.⁴⁵ It will be responsible for construction, urban design, architecture, and infrastructure planning, policy, and strategy.⁴⁶

“The time has come to revisit whether a new architecture of public institutions needs to be introduced afresh to create new green jobs and meet the challenges of the twenty-first century. Starting with a Ministry of Green Works”

Max Harris and Jacqueline Paul

It will:

- Act as an automatic stabiliser in the housing market by examining the number of houses that are in company pipelines and providing reliable levels of work for construction. In times of a construction deficit, it will build more units of housing to meet population needs.
- Provide training and development for construction apprentices, recreating a flow of new skilled tradespeople.
- Deliver new housing and retrofit existing housing to Healthy Homes standards. This will reduce costs to occupiers, lower carbon emissions, and save the health service money through reduced illness.
- Target the development of new housing for Māori, in partnership with both iwi and Māori community housing providers.
- Be a vehicle for central and local government to insource currently outsourced development activities.
- Have the ability to make submissions to Cabinet documents in a comparable way to the Treasury. It will provide commentary (released under the OIA) on government proposals likely to affect deliveries of just transitions. It could also comment on the opportunity cost of not developing a proposal. This would include liability generated for future generations by not taking forward a proposal.
- Be progressively responsible for the delivery of the Three Waters infrastructure. This would retain capacity within the public sector and ensure delivery is driven by need, not profit.



Mission: A Just Transition Towards Climate Mitigation and Resilience

During COVID-19, New Zealand's team of 5 million worked together to keep people safe. We demonstrated that the best economic response was in fact the best health response. It's time to learn that lesson and realise that the best climate strategy is the best economic strategy. One that protects future generations from the devastating impacts of harsher weather events, rising sea levels and supply chain issues.

In 2019, Labour in government passed the Zero Carbon Act, making a commitment to net zero carbon emissions by 2050. In 2020, the government declared a climate emergency.

"The climate crisis is both the easiest and the hardest issue we have ever faced. The easiest because we know what we must do. We must stop the emissions of greenhouse gases. The hardest because our current economics are still totally dependent on burning fossil fuels, and thereby destroying ecosystems in order to create everlasting economic growth."

Greta Thunberg, In an address to the British Parliament on April 23, 2019.

Changes must be made alongside a Just Transition that ensures no community is left behind and that benefits and costs are equitably distributed. A Just Transition proactively shapes the economy to minimise the impacts of change, and builds our social, economic, and environmental capacity to respond and adapt. A Just Transition ensures the costs of economic change do not fall disproportionately on one group, nor do the benefits accrue to a small group.

Fortunately, investing in green infrastructure not only creates jobs, it creates more jobs per dollar invested than fossil fuel jobs.⁴⁷ They also create more high-skilled jobs because many fossil fuel industries are highly automated and capital intensive.

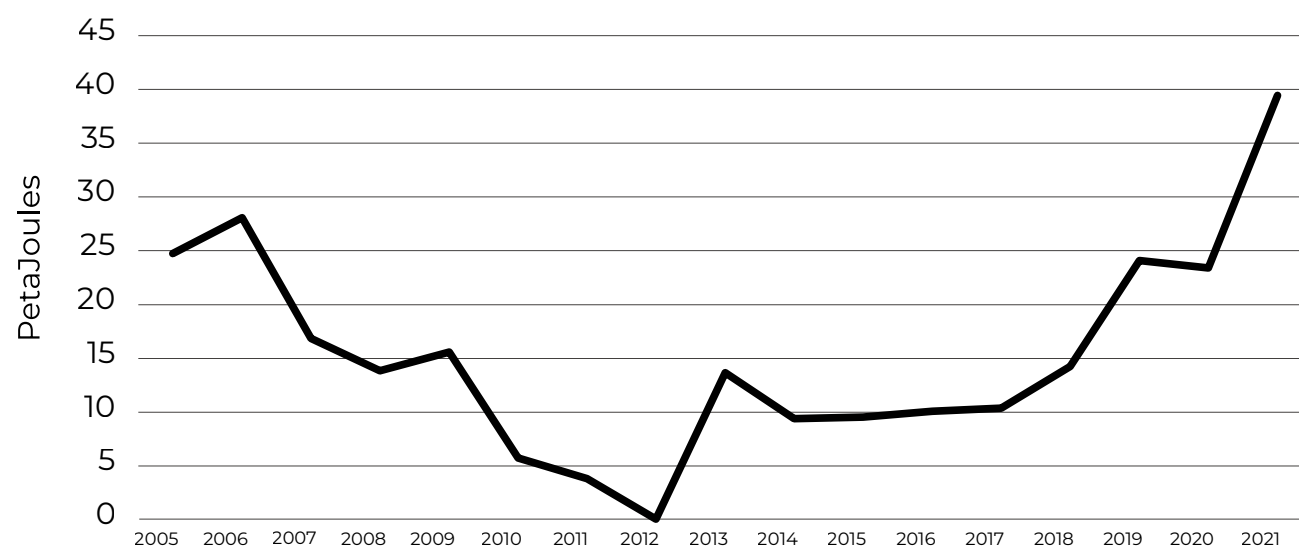
On the other hand, clean energy or sustainable infrastructure jobs require more urban planners, engineers and construction workers per dollar invested — that is according to a recent study by the World Resources Institute, the International Trade Union Confederation, and the New Climate Economy.⁴⁸ Their study found that:

- Mass transit creates 1.4 times as many jobs as road construction per dollar.
- EV owners use electricity which is more labour intensive than the oil sector. They save on the cost of fuel and inject those savings back into the overall economy, which is again more labour intensive than the oil sector.

- Investing in solar photovoltaic energy creates an average of 1.5 times as many jobs as investing the same amount of money in fossil fuels.
- Ecosystem restoration creates 3.7 times as many jobs as oil and gas production per dollar.
- Building efficiency retrofits create 2.8 times as many jobs as fossil fuels per dollar.

The evidence is clear, transitioning from fossil fuels to green energy and investing in new green infrastructure is a win-win for the economy, workforces, governments, and communities.

Annual New Zealand Coal Imports



Source: MBIE

Challenge: Climate change

New Zealand is well past due for an economy that is both low carbon and climate resilient. Our current reliance on fossil fuels is not working, and we need a pathway to transition to alternative modes of power generation. An energy revolution is an opportunity to put New Zealand on the global stage, producing business opportunities and good jobs for all.

“The market left uncontrolled is destroying families and will destroy the very earth we rely on to survive. We need a new way of living, a new leadership and a sharp change in the incentives to do the right thing”

Helen Kelly, New Zealand Council of Trade Unions

Under our current climate trajectory, research shows that if the Paris Agreement and 2050 net-zero emissions targets are not met, climate change could cost the global economy 10% of GDP (equivalent to \$23 trillion) by 2050.⁴⁹ That research also predicts that if global temperature rises reach 2.6 degrees Celsius it will cost the New Zealand economy 10.4% of GDP by 2050. However, if the Paris agreement targets are met, global GDP and New Zealand's GDP are estimated to reduce by a much smaller 4.2% and 3.7% by 20250 respectively.⁵⁰

Recent modelling shows New Zealand can achieve low emissions or even net-zero greenhouse gases emissions by 2050, through a combination of initiatives including afforestation and a low-emissions electricity system to decarbonise the wider energy sector.^{51 52}

According to the Productivity Commission, New Zealand's demand for electricity will grow by more than 45% by 2050.⁵³ Transpower estimates electricity demand will increase 70% by 2050, and 25% by 2035.⁵⁴ Currently, New Zealand's hydropower catchments are prone to dry years where they don't receive enough rainfall or snowmelt, leaving lake levels running low and fossil-fuel generated power from Huntly is often used to plug the energy deficit.⁵⁵

The Climate Change Commission has examined the costs of activities necessary to deliver on our obligations. Their estimate of 1% of GDP over the next 13 years means spending \$34 billion.⁵⁶ That cost will fall on everyone, but the benefits of change may not. We must ensure that we are delivering a Just Transition for workforces and that working people are centred in these discussions.

Due to a combination of factors, more coal has been burned at Huntly in 2020-21 than any other year since 2010.⁵⁷ New Zealand has also hiked up the amount of coal being imported. For the 2021 financial year, New Zealand coal imports were up 587% on 2010.⁵⁸ Huntly Power Station had been earmarked for closure in 2018 but remains open due to a lack of alternative energy sources.⁵⁹ According to Genesis Energy, the plants' fixed costs are too high and usage too low to be economically sustainable.

In August 2021, around 34,350 homes had their power cut on one of New Zealand's coldest evenings without warning. This was due to an increase in demand, alongside an unplanned outage of the Tokaanu hydro plant. Hydro, while not a fossil fuel and not susceptible to geo-political factors, is not necessarily a climate resilient energy source due to its reliance on the weather.

Uncertainty over the future of Tiwai Point has delayed energy companies investing in new alternative projects. Tiwai Point currently uses a seventh of New Zealand's power.⁶⁰

A Just Transition done well, equitably shares the costs, benefits, and opportunities of change across society and the economy. It mitigates the potential for that change to create larger economic inequality. Additionally, it strengthens the ability of communities, workforces, and industry to determine their own futures and to play a role in identifying and planning for the actions that will be needed for their transition over the short-, medium- and long-term.

Over the next nine months we want to work with you to deliver not just a model of climate action but also a plan for delivery. As a country, we must deliver climate positive policies that will give our economy a competitive edge of that Just Transition.

"In combination, electricity and hydrogen provide a robust energy system platform to decarbonise New Zealand. Their complementary characteristics can deliver benefits that neither can deliver in isolation."

MBIE

Under our current climate trajectory, the cost to the NZ economy by 2050:

10.4% of GDP

Paris Agreement and 2050 net-zero emission targets *are not met*

3.7% of GDP

Paris Agreement targets *are met*

Source: Climate Change Commission, Ināia tonu nei

Policy proposal: An Energy Revolution alongside a Just Transition

New Zealand needs a national strategy for an energy revolution that draws on the benefits of both electricity and hydrogen to complement each other. To achieve this, we will need to invest in green energy generation and ensure the dividends of new economic growth are equitably distributed. An Energy Revolution, or any policy that draws from natural resources would require comprehensive engagement with iwi as well as a by-Māori for-Māori approach.

"In combination, electricity and hydrogen provide a robust energy system platform to decarbonise New Zealand. Their complementary characteristics can deliver benefits that neither can in isolation"

MBIE

Solutions include:

- An Energy Industry Transformation Plan (ITP) - which shifts heavy transport away from fossil fuels and into green electricity or hydrogen.⁶¹
- Invest in new pumped hydropower at Lake Onslow.^{62 63}
- Invest in hydrogen in Taranaki and Southland - such as a hydrogen farm at Tiwa Point and Lake Manapouri. Part of Taranaki's just transition planning includes the opportunity to transition into a market leader in hydrogen production.^{64 65} With a large-scale hydrogen facility alongside a Lake Onslow hydro plant, New Zealand would be able to avoid up to one million tonnes of carbon emissions, enhance energy security and generate millions of dollars in export revenue.^{66 67}
- Must be done as part of a Just Transition in partnership with Māori, as Te Tiriti o Waitangi partners.
- Must ensure that the workers and communities directly affected by a transition do not unfairly shoulder the burden.
- The NZCTU endorses Auckland Climate Action (ACA) and Engineers for Social Responsibility (ESR) call to:
 - Give renewably generated electricity precedence in entering the market over fossil fuel generation (Following Germany's lead who implemented this regulation back in 1991), and
 - Change the way the electricity market works to ensure the amount of electricity suppliers are paid is relative to their generating costs. Instead of the current system of an arbitrarily high price set by one generator usually a fossil fuel producer.⁶⁸
- Support micro-generation and distribution, particularly where led by community and neighbourhood partnerships.

Mission: Decent Work and Greater Work/Life Balance

A highly productive, sustainable, and inclusive economy is only successful if wages and job security are also prioritised. For too many New Zealanders, their experience of the labour market is a story of exploitation and falling living standards.

Despite high employment, there are still too many New Zealanders underutilised in the workforce. In June 2022, more than 276,000 New Zealanders were unsuccessful at finding work.⁶⁹ Unemployment rates for Māori and Pasifika are well above the Pākehā average. 12.1% of 15–24-year-olds are not in education, employment, or training.⁷⁰ Many New Zealanders are still too dependent on the minimum wage to lift their incomes. Despite record low unemployment, more than a third of Kiwis didn't get a pay rise last year.⁷¹

We also know that there has been a huge growth in the levels of insecure work.⁷² Work is increasingly contracted out, and in sectors such as parcel delivery 'self-employment' is the norm. The growing use of platforms like Uber have led to reduced job security, with the loss of Kiwisaver contributions and ACC coverage. Loss of employment from these jobs also means accessing welfare support is more difficult.

"People who feel their employment is insecure are more likely than other employed people to rate their overall life satisfaction poorly"

Statistics New Zealand 2022⁷³

Our economic strategy must also have a wider approach to the labour market than just wages and jobs. Decent work should be our goal. The International Labour Organisation has defined decent work as meeting "the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men."⁷⁴

The NZCTU defines 'Good Work' as having 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. Decent work must be the sum of the aspirations of tangata whenua and tauwi in their working lives.

The NZCTU developed eight elements of Good Work, which we took to the Future of Work Tripartite Forum where it was agreed by the other social partners. These elements are:

1. Lifelong learning and mana āheinga
2. Fair wages and economic security
3. Free from worker exploitation
4. Worker voice
5. Health and Safety and Wellbeing
6. Meaningful and fulfilling
7. Productive
8. Managing our Environment Impacts

Decent work will both make New Zealand an attractive place to be a worker and business owner.

Decent work also means making sure that we are delivering for some of the most vulnerable New Zealanders. The care economy is vital to a nation's economy and community, and includes services health and education, aged care, early childhood education as well as the broader public services.

The care economy forms an integral part of both the wider economy, Māori economy, and for women. Both the work of paid and unpaid roles in care are essential in maintaining a community's wellbeing. An approach to healthcare that leads to underfunding, understaffing, creates barriers to access will only exacerbate inequalities.

Challenge: Jobs, incomes, productivity, and work/life balance

New Zealanders have never fully recovered from the attack that was the Employment Contracts Act (ECA) in 1991. The ECA severely undermined peoples' rights to organise and destroyed industry collective bargaining. Working people were left without a voice for a generation. The legacy of this ill-conceived reform continues to this day.

Stronger unions, greater collective bargaining and enhanced worker voice will enable workers to better challenge the existing establishment and push for better work, more training and skills development, and increase their productivity.

There is no silver bullet to correct the deep-seated bias against collective bargaining and trade union organising in New Zealand. It requires a fundamental shift in existing attitudes about work, workplace culture, the decommodification of labour, the sharing of power in decision making, and the place of workers and unions in a democratic society.

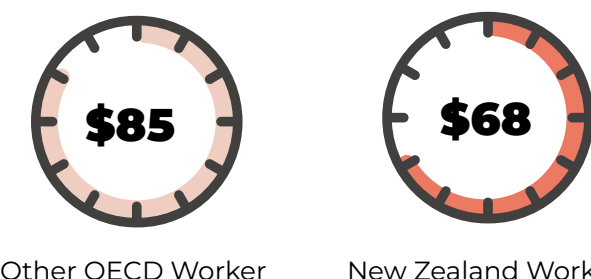
Many commentators have long recognised that New Zealand has a labour productivity problem. It has been recognised by the OECD, the IMF, and governments of all political colours.⁷⁵ We have some of the most relaxed labour market laws anywhere in the world. According to the World Bank we are the best country in the world to run a business.⁷⁶ Yet our output lags that found in many other countries. If creating a more 'dynamic' market with lower levels of regulations worked, it would have worked by now.

A recent Productivity Commission report shows that New Zealanders worked on average 34.2 hours per week, which is higher than the OECD average of 31.9 hours per week.⁷⁷ On a five-day week, we are working three weeks longer a year. In 2021 New Zealand produced \$68 of output per hour worked, that's \$17 less than the \$85 of output per hour worked of other OECD countries.⁷⁸ New Zealanders are working harder, for longer, but

New Zealanders are working 3 weeks a year more than their OECD counterparts

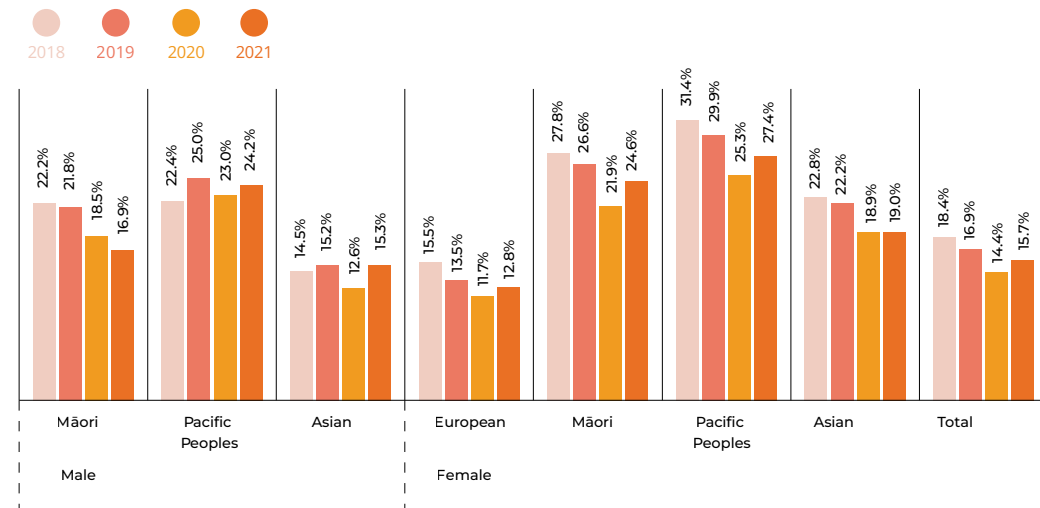


Output per hour



Gender & Ethnic Pay Gap

% gap in earnings with European Men



Gap between real wage growth and labour productivity growth widened 1989-2021

Compensation of employees per hour in Market sector



getting less output. As economist Paul Krugman said “Productivity isn’t everything, but, in the long run, it is almost everything. A country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.”⁷⁹

Cheap labour reduces the incentives to invest in innovation. But even with that limited productivity growth, wages are not rising in line with output. Over the past 20 years, real wages have not kept up with output growth.⁸⁰

“Raising our productivity performance is the biggest economic challenge facing New Zealand, and will require a sustained effort on a number of fronts”

NZ Treasury

The gender pay gap remains a serious problem in New Zealand and has negative consequences on equity, wellbeing, quality of living and national productivity. The latest figures have the gender pay gap at 10.5%. Pay gaps remain persistent by ethnicity. The gap for Pasifika women means they start working effectively for free on October 3rd, when their pay is measured against Pakeha men.

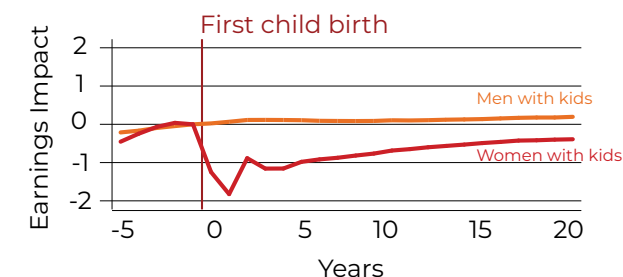
Māori women start working for free on October 7th. Asian women are working for free from 26 October, and European women start working for free from November 17th. These dates show that women of all ethnicities are still facing discrimination in employment.

Research by Princeton University economist, Henrik Kleven, shows that motherhood accounts for 80% of the gender pay gap and that childfree women’s earnings are comparable with men’s salaries.⁸¹ We therefore need to take steps to reduce the effects of wage scarring that working parents often experience upon re-employment. According to the Productivity Commission, wage scarring is a much greater problem in New Zealand than other OECD countries.⁸²

“An average couple in New Zealand of income earners would have to spend 37 percent of their salaries to put two children to full-time childcare, which is a huge amount”

Unicef New Zealand chief executive Michelle Sharp

Women’s earnings drop significantly after having children. Men’s don’t.



Policy proposal: A Decent Work Act, pilot a four-day work week, and free high-quality Early Childhood Education

We propose a new Decent Work Act to replace the Employment Relations Act. The Act would include:

- Changes to employment law around contracting, in line with the Tripartite Working Group on Better Protections for Contractors.⁸³ In particular, delivery of the effective legal duty on “hiring entities” to step through a robust decision-making process when considering worker classification, and to be legally responsible for making this decision correctly.
- A reversal of the current opt-in requirements for collective agreements and union membership.
- The urgent ratification of the remaining core conventions of the International Labour Organisation. This would include Convention 87 ‘Freedom of Association and the Protection of the Right to Organise Convention’; Convention 138 which sets minimum wages for work; and Convention 187 on health and safety at work. The Act would also commit New Zealand to signing Convention 190 on preventing violence in the workplace.
- Allowing for pay equity claims to be extended beyond gender, to include ethnicity, disability, or sexual orientation.
- Mandatory pay gap reporting.
- A permanent tripartite institution (including unions, business, and Government) as a forum for dialogue about how to improve and extend employment relations in New Zealand. The body would build a New Zealand approach to tripartism that reflects our unique Te Tiriti obligations and would have an educational arm, like those commonly found overseas.
- A mechanism to better recognise unions and help reduce competition between them.
- Decoupling parental leave so each partner’s leave is independent. This helps to break down gender segregation in the workplace and reduces the gender pay gap as a result. Sweden, Iceland, and Norway have one of the most equitable parental leave schemes which has led to fathers using over 45%, 45%, and 40% of the available parental leave benefits, respectively.
- **In addition, we would suggest the following three reforms to workplaces:**
 - Follow international best practice and undertake a large-scale pilot of a four-day week. This would be undertaken at a sector level, on the same 100/80/100 basis as the UK.⁸⁴

- Progressively extend the provision of public ECE services to be free to all children. Provision would be in the form of networks of not-for-profit centres, which would also create more coherent structures for providing training and professional learning. In the process, we need to shape the future of early childhood education to ensure:
 - every child can access quality public provision of community-based, locally responsive, and culturally sustaining early childhood education services
 - the Government’s commitment to the mana, hauora, and wellbeing of children is a reality
 - there is a commitment to quality teaching and learning through a 100% qualified, fairly remunerated, and fairly treated workforce
 - the rights of children are centre stage, and the whakamana of tamariki is celebrated in the presence of teachers, kaiako and whanau.
 - prioritisation of public funding for public services meeting quality criteria.
 - Resourcing and acknowledgement of rangatiratanga for kohanga reo and Pasifika language services.
- Adapting NZIIS (NZ Income Insurance) to include parental leave.
- Make the sick leave entitlement of 10 days per year, and bereavement leave entitlements available from day one of employment to all employees (including part-time and casual employees).⁸⁵

Mission: Enabling the Enduring Wellbeing of New Zealanders

The central government economic agencies are products of the previous four decades of thinking. Our agencies are still prioritising current financial liabilities over future planning. Much of our infrastructure is at breaking point due to historical underinvestment. The results in New Zealand speak for themselves.

Many successful countries that we often wish to emulate have very different approaches to investing, revenue, and debt.

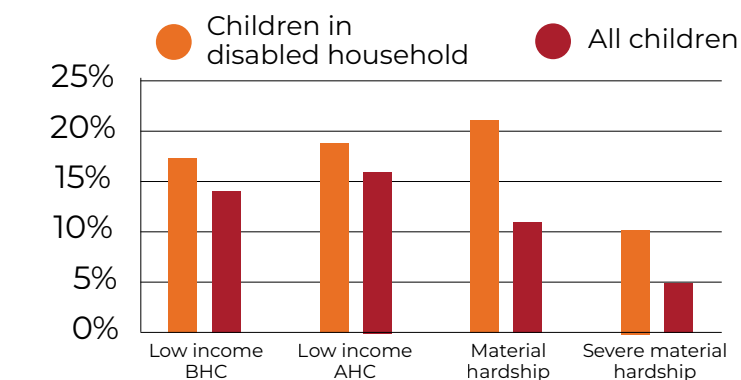
Since Budget 2018, the Government has moved to delivering Wellbeing Budgets. This is a welcome change as they take a wider view of progress than the narrow view of economic growth provided in GDP figures. However, there remains a disconnect between the aspirations of the wellbeing approach and the delivery of the policy. The indicators get brought out once a year at Budget but appear to have little traction in between.

“The gross national product does not allow for the health of our children, the quality of their education, or the joy of their play”

Robert F. Kennedy, USA presidential campaign Trail - 1968.

We know we must do better. We can link the programmes of economic development to those of the wellbeing agenda. Wellbeing and the Māori economy are about much more than GDP and standard economic indicators associated with dollar values, it includes the choices people make to support their whānau and community through unpaid labour. We must examine whether fiscal settings are fit for purpose and determine if new structures could better achieve wellbeing goals.

Proportion of children living in poverty by disability status 2021



Challenge: Reimagining our model of growth from measuring economic production to measuring security and wellbeing

“For me wellbeing means giving people the capabilities to live lives of purpose, balance and meaning to them. For too long we have defined our success as a country solely on our rate of GDP growth”

Hon. Grant Robertson⁸⁶

The economy is a large and complex system. Making it work effectively is one of the central opportunities facing the country and the government. But making it work for its own ends is not enough. We need to grow the good outcomes we get from the economy.

We know that economic development and mental health go hand in hand. Increasingly insecure and flexible economies have had a profound impact on rates of anxiety.⁸⁷ The resulting economic costs of mental illness are substantial. Recent estimates for OECD countries are that mental illness reduces the size of our economy by approximately 5%, leading to unemployment, work absenteeism, and reduced productivity.⁸⁸ Our model of growth after COVID-19 needs to change so that our economic framework incentivises and provides greater security and greater wellbeing.

When it comes to assets, the wealthiest 1% control a quarter of the nation’s wealth.⁸⁹ These embedded disparities contribute to widening social dysfunction, deprivation, and poor health. Since the 1980s, large economic disparities have become a feature of New Zealand’s political landscape. During this time income disparities rose quicker than in any other developed nation.⁹⁰ It is no surprise that child poverty doubled in that time.

Inequality between ethnicities, particularly between Māori and Pākehā persists. One of the major underlying causes for this disparity can be traced back to the widespread nineteenth-century confiscation of Māori land and policies that limited Māori access to capital.⁹¹ Alongside this, the impacts of the 1980s restructuring reforms disproportionately impacted Māori workers, and are still being felt today, a generation on.

According to recent data, 125,000 children are living in material poverty in New Zealand – missing out on items like shoes, meals, and heating.⁹² This is largely due to benefit cuts and inadequate wages. 40% of children from poor households (AHC) have a parent in full-time work.^{93 94}

The current government’s drive to address child poverty has made only small inroads. Creating a fairer economy needs more far-reaching policies than those currently employed. We need to bring together our wellbeing goals with our economic goals, so they are not traded off against each other.

Policy proposal: Work with central government economic agencies to build and embed a genuine wellbeing approach to economic development

Our ability to plan for long-term solutions to education, health, and housing needs are lacking. Currently, we care about the cost of everything, but the value of nothing. It’s time for that to change.

We propose:

- Consider the role that each of the central government economic agencies can play to better understand if we are truly coordinating our economic policy in a way that delivers on our wellbeing goals.
- Developing a better understanding of how other countries operate in this area, and the extent that their structure and establishment improves performance.
- Working on a better value for money approach within the government. One that makes clear not only the financial consequences of investment but the social and community consequences.
- Value for money should also highlight the cost of non-investment – with an estimate produced of the ‘liability’ the Crown faces for future expenditure set alongside the debt and operating balance figures.

Endnotes

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- 6 NZCTU June Economic Bulletin: Future of work, good work and low wages provides a run down on the Future of Work programme.
- 7 Russell, D and Renney, C. (2022). Monthly Economic Bulletin April 2022 - Budgets, Child Poverty & Cost of Living. New Zealand Council of Trade Unions. P. 16-17. NZCTU-Economic-Bulletin-April-2022.pdf (union.org.nz)
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- 13 <https://www.labour.org.nz/children>
- 14 See 1923 New Zealand Dairy Board, Primary Products Marketing Act 1953, Creation of the Dairy Production and Marketing Board, Dairy Board Act 1987
- 15 The New Zealand National Airways Act 1945 established a single domestic airline – the National Airways Corporation (NAC).
- 16 Private and Public Enterprise: Fletcher Construction and the Building of New Zealand, Baker, 2002, <https://www.ebhsoc.org/journal/index.php/ebhs/article/download/110/91/>
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- 19 The Victorian Government uses the following definition of social procurement: "A social procurement is when organisations use their buying power to generate social value above and beyond the value of the goods, services, or construction being procured".
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- 60 "About 85 percent of the power consumed by Tiwai Point is renewably generated, with most of that supply coming from the Manapouri hydroelectric power station which is owned by Meridian Energy. The future of Tiwai Point was in jeopardy in 2020 after Rio Tinto announced plans to shut the smelter down in 2021, citing expensive electricity costs. If that happened, New Zealand would be flooded with cheap electricity and any new plant would plunge into the Pointon, N. (2022, February 8). Rio Tinto wants to keep operating Tiwai Point smelter past 2024 closure date. <https://www.rnz.co.nz/news/business/461084/rio-tinto-wants-to-keep-operating-tiwai-point-smelter-past-2024-closure-date>
- 61 The Government currently has 8 ITPs that are focused on long-term transformation as well as near-term implementation over 1 to 3 year periods. ITPs came out of the Future of Work Tripartite Forum and are a key part of industry planning in partnership with Māori business and workers. More information on ITPs can be found on MBIEs website www.mbie.govt.nz/business-and-employment/economic-development/industry-policy/industry-transformation-plans/
- 62 Last year the Government awarded an \$11.5 million contract to look into the feasibility of a pumped hydro plant at Lake Onslow to generate power in dry years. This year, the Government will decide whether to go ahead with the project, which is estimated to cost \$4 billion (the cost which may change once the feasibility study has been completed). The contract was awarded to Te Rōpū Matatau, led by engineering consultancy Mott MacDonald New Zealand, with engineering consultancy firm GHD, and environmental planning and design consultancy Boffa Miskell.
- 63 Minister of Energy and Resources Dr Megan Woods said Lake Onslow would be the largest infrastructure project in New Zealand since the 1980s. This project could create 4,500 jobs and make wholesale electricity cheaper. Other benefits include allowing the country's electricity grid to become 100% renewable as it would act as a buffer for dry weather seasons.
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- 83 <https://www.mbie.govt.nz/assets/tripartite-working-group-on-better-protections-for-contractors-december-2021.pdf>
- 84 The 100:80:100 model means that workers receive 100% of their pay for working 80% of their five-day week time, in exchange for a commitment to maintain 100% productivity.
- 85 Currently, employees cannot access sick leave unless they have six months' current continuous employment with the same employer, or they have worked for the employer for six months for: an average of 10 hours per week, and at least one hour in every week or 40 hours in every month. This means workers are forced to come into work while sick, which is incredibly harmful to health, safety and wellbeing and unnecessarily increases the spread of infectious virus'.<https://www.employment.govt.nz/assets/Uploads/tools-and-resources/flowcharts/Sick-and-Bereavement-leave.pdf>
- 86 Beehive Press Release. (2019, May 14). Wellbeing Budget to tackle long-term challenges. <https://www.beehive.govt.nz/speech/wellbeing-budget-tackle-long-term-challenges>
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