

Comments on the proposed long-term insights briefing “New Zealand’s future productivity to 2050: Global trends, domestic factors, strategic choices”

New Zealand Council of Trade Unions Te Kauae Kaimahi

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The New Zealand Council of Trade Unions Te Kauae Kaimahi welcomes the opportunity to comment on the proposed long-term insights briefing (LTIB). Our view is that “New Zealand’s future productivity to 2050: Global trends, domestic factors, strategic choices” is a worthwhile topic for the upcoming briefing.

It is important that Ministers, social partners, and the New Zealand public are aware of the current and potential productivity challenges and opportunities we face and the potential choices that we can make to address them.

The proposed focus on trends that may impact future productivity growth is welcome, as we already have a well-developed understanding of current barriers to productivity growth, and what can be done to overcome them.

We recommend that MBIE and MFAT consider the following issues in developing the LTIB:

- **The trade-offs involved in different strategic decisions.** In the NZCTU’s view, the most valuable contribution the proposed LTIB could make is to present an analysis of the *trade-offs* involved in the different strategic choices that we face as a country – for example, the cost in foregone productivity gains that a failure to invest in modernising transport infrastructure may incur. We continue to lack a mature discussion on these issues in New Zealand, and this LTIB can make a positive contribution to changing that.
- **Challenges and opportunities for ensuring productivity growth leads to wage growth.** Although higher productivity growth leads to higher real wages in theory, history shows that workers often don’t receive the full benefits of higher productivity. It is important that future productivity growth translates into real wage gains and rising standards of living for working people. We recommend the briefing considers the challenges and opportunities here, and what strategic decisions may need to be made about the institutional settings of New Zealand labour markets and industrial relations to ensure workers fully benefit from future productivity growth. We are keen to discuss these issues further with officials as the LTIB is developed.
- **The potential distributional impacts of future productivity trends.** Productivity gains (or losses) are not shared evenly across different social classes, communities, and regions. It is therefore reasonable to expect that the productivity effects (both positive and

negative) of trends such as climate change and technology change will be unevenly felt. For example, increased severe weather events will impact disproportionately on the productivity of highly exposed regions. And on current trends, it appears likely that productivity gains from artificial intelligence technologies will mostly be enjoyed by owners of capital and higher-income earners. Analysis of these issues will help inform discussion on the strategic choices ahead of us, and the trade-offs these entail. It will also help inform decisions about, for example, supporting just transitions in response to structural changes and shocks.

- **The importance of doing the basics well.** New Zealand has significant challenges in delivering modern health services, education, healthy housing, and serviceable infrastructure, among other issues. On current trends, there is a material risk that performance in these areas will continue to deteriorate. Although emphasis is often given, for example, to the importance of exports and trade agreements in growing New Zealand's economy, these *domestic* challenges are of far greater consequence for New Zealand's future productivity performance. If we don't get the basics such as a healthy and well-educated population right, then we are setting ourselves up for failure. We therefore recommend that the LTIB examines the potential productivity impacts of future deterioration in these areas and the potential productivity gains to be made from investing in them sufficiently.
- **Build on the recommendations made by the Productivity Commission and other extant research.** The inquiries conducted by the Productivity Commission, along with research from other organisations such as the OECD, have already provided significant insight into many of the strategic choices that could be made to improve New Zealand's long-term productivity performance – for example, by fostering the development of frontier firms, investing in economic resilience, and addressing labour market issues such as high levels of skills mismatching and instability in the vocational education system. We recommend that the LTIB synthesises these key insights.
- **Improving worker and union engagement in the workplace.** Internationally, high levels of worker engagement in the workplace are linked to higher productivity. Yet many workplaces in New Zealand lack mechanisms for properly engaging with workers and their representatives in trade unions, a problem which may also be linked to the well-documented lack of management acumen in the country. We recommend that MBIE and MFAT examine how productivity growth could be encouraged by supporting worker voice in the workplace and improving management skills.
- **Social cohesion.** In addition to the global trends listed in the consultation document, we recommend adding to this list the important global trend of declining social cohesion, which is characterised by declining trust in institutions and between social groups. Strong institutions and social trust are important determinants of productivity. The risks posed by a decline in social cohesion in New Zealand should be explored in the LTIB.
- **Engagement with social partners.** We recommend that MBIE and MFAT engage with social partners through the development of this LTIB, so that they can bring their insights to the analysis.

The NZCTU thanks MBIE and MFAT for the opportunity to engage on this proposed LTIB and we look forward to further engagement as the briefing is developed.

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