



## PROFILE OF MOTU ECONOMIC AND PUBLIC POLICY RESEARCH TRUST

*This profile has been prepared for the June 2005 Meeting of NEROs (National Economic Research Organisations) held at the OECD.*

*Motu Economic & Public Policy Research Trust* is a non-profit Research Institute (Charitable Trust) located in Wellington, New Zealand. We have been operating as a Trust since September 2000. The Trust aims to promote well-informed and reasoned debate on public policy issues relevant to New Zealand decision making. Motu is independent and does not advocate an expressed ideology or political position.

Motu's purposes can be summarised in three categories: producing and presenting top-quality research; building capacity within New Zealand for research; and engaging with end users. We are active in hosting and facilitating visits for international researchers.

We are almost entirely soft-funded by research grants. We receive a small proportion of our revenue in the form of donations from patrons and supporters.

### **Structure**

Motu's Board of Trustees appoint a Director, who is responsible for the day-to-day running of the organisation. Our core staff comprises five Senior Fellows and Associates, eight affiliates who are actively involved in Motu projects and activities, and six Research Analysts,

Current Senior Fellows and Associates are: John Gibson, Arthur Grimes, Suzi Kerr, Dave Maré, and Steve Stillman.

## RESEARCH STREAMS

Our current research activities can be grouped under five broad headings:

- labour markets;
- housing markets,
- income earnings and wealth distributions,
- environmental policy and regulation, and
- economic growth and fluctuations.

## **Labour Markets**

Our current foci in this area are local labour markets, migration, and firm dynamics. We are also involved in the development of a linked employer-employee database in New Zealand.

### ***Local labour markets***

This work examines the operation of local labour markets, and the nature of adjustment to local shocks, focusing on the important role played by internal migration, and at time-series covariation of local labour market aggregates. We are also investigating geographic concentration of firms and employment in New Zealand, and implications for firm and industry performance.

### ***Migration***

This research seeks to identify the impact of New Zealand's comparatively large migration flows on outcomes for migrants and for resident New Zealanders. We are investigating patterns of migrant selection and outcomes, using a randomised lottery that is an established part of New Zealand immigration policy towards selected Pacific nations. Within New Zealand, we are looking at mobility patterns of Maori, and will extend this to look at internal mobility more generally.

### ***Education***

We are examining the diversity of labour market outcomes for recent tertiary graduates, across different fields of study.

### ***Firm dynamics***

We continue to analyse patterns of job creation, destruction, and employment change for New Zealand firms. We have worked with the New Zealand Treasury to compare New Zealand patterns with those of other OECD countries, as consistently as possible.

### ***Development and use of a linked employer-employee dataset (LEED)***

We are involved in the development and use of a linked employer-employee dataset (LEED) – an initiative being led by New Zealand's central statistical agency (Statistics New Zealand). LEED uses administrative data from the taxation system, and Statistics New Zealand's Business Frame. Initial research using LEED has focused on transitions into employment for beneficiaries and accident victims. Future work will look not only at worker transitions, but also at the operation of the labour market and its relationship to business performance.

## **Income, earnings and wealth distributions**

Motu researchers have undertaken a variety of projects to describe and analyse the distributions of income, earnings, and wealth in New Zealand. We have examined both cross sectional variation and changes over time. Our focus this year has been on examining changes in the Māori income distribution. We have examined changes between 1997 and 2003 using data from the New Zealand Income Survey, and between 1991 and 2001 using Census data.

## **Housing markets**

To shed light on the behaviour of the New Zealand housing market, we examine the dynamic and long run responses of house values across spatial communities and across time to economic variables that impact on the local economy. Our work also includes examination of the relationship between house rents and house prices, and the impact of housing supply on housing market adjustment.

## **Environmental policy and regulation**

A key focus of our work on environmental policy is the use of tradable permit markets. Our current foci are on policies to mitigate the effects of climate change, policies to influence land use, and fisheries management policies.

### ***Climate change policy***

Our work on climate change encompasses the design of international agreements and the design of domestic policies. Our international work especially focuses on the design of international emissions trading, compliance regimes and the allocation of liability for non-compliance, and the use of forests to sequester carbon. Our domestic policy work focuses on the design of domestic emissions trading programs with particular emphasis on the point of regulation, the distributional effects of policy, the choice between auctioning and grandfathering permits, the allocation of risk, and policy credibility.

### ***Land use and environmental policy***

This research programme aims to understand human-induced land-use change processes, understand their implications for the environment, and model possible management systems at a national policy level. The research programme has two main components. The first is to build an integrated socio-economic/natural-science land-use model and the second is to provide policy design and analysis, both by using this model and through additional qualitative research.

Policy dimensions of our land use work also include consideration of the role of land use changes for climate change mitigation, nitrate management and management of biodiversity.

### ***Fisheries management***

Motu and Resources for the Future (Washington DC) are jointly undertaking economic research on fisheries management in New Zealand. We are examining the role and effectiveness of market-based instruments, in particular the individual transferable quota (ITQ) system as a fisheries management tool.

## **Economic growth and fluctuations**

Motu researchers are examining the nature and timing of national and regional business cycles in New Zealand. Regional business cycles are examined both within New Zealand, and comparing New Zealand cycles with those of Australia states.

### ***Is New Zealand an economic state of Australasia?***

This programme of work examines the links between the Australian and New Zealand economies, using relevant comparisons of labour market, price and production data. The research will shed light on policy questions about whether New Zealand and Australia should adopt common institutions.

If trends and fluctuations across the Trans-Tasman economies exhibit similar characteristics, unified economic and financial institutions may be optimal. If they are dissimilar, separate institutions may be advisable. The research compares New Zealand developments with those occurring in Australian states and territories, which already share common economic and financial institutions. If the New Zealand economy relates to the federal Australian economy in a manner similar to a typical Australian state economy, there is prima facie evidence to investigate closer economic and financial linkages.

### ***Infrastructure & Growth***

We will examine the extent to which new infrastructure developments (motorways, ports, etc) contribute to economic activity on a regional basis. We will do so by examining the announcement and impact effects of new infrastructure developments on prices of different types of land - commercial, industrial, housing and agricultural. By separating out the price impacts on different land types, we expect to be able to differentiate between the productive effect and the amenity effect of new infrastructure developments. This will extend the methodology of similar studies conducted in the UK and the USA, and will be the first attempt to apply such techniques to New Zealand.