

## NEW ZEALAND

- GDP per capita is 27% below the average of the most advanced OECD countries, reflecting an even larger shortfall in labour productivity. The GDP per capita gap has declined somewhat over the past quarter century while the labour productivity gap has continued to widen.
- Income inequality has edged up since the crisis, in contrast to the OECD average, which has remained unchanged. The poorest 20% of society's share of disposable income has remained unchanged at a slightly lower level than the OECD average.
- To improve teaching quality, collaboration between teachers, principals and schools is being strengthened and teacher professional learning and development is being enhanced, especially for teachers in schools with less than expected achievement levels. While some administrative barriers to trade have been reduced, many aspects of trade facilitation remain below best performance. To encourage innovation, public funding for business R&D is being increased.
- Making the FDI screening process more transparent and facilitating trade could help better integrate domestic firms into global supply chains, increasing productivity. Reducing the scope for vested interests to thwart land rezoning and development that is in the public interest would result in greater agglomeration economies and housing affordability, which would disproportionately benefit lower-income households. Inequality, especially inferior school outcomes for Maori and Pasifika, would also be reduced through better targeting of early childhood education on groups with low participation, greater school accountability and improved school-to-work transitions. Improving health-care efficiency and encouraging the adoption of healthier lifestyles would both increase productivity and reduce inequalities in health outcomes. Increasing policy support for business R&D could boost innovation.
- Congestion charges on urban roads would reduce congestion and pollution and provide funds for improving public transit, giving commuters more attractive and sustainable alternatives to private cars.

### Going for Growth 2017 priorities

**Reduce barriers to FDI and trade and to competition in network sectors.** Non-transparent FDI screening, barriers to trade facilitation and to competition in network sectors deter investment and innovation.

**Actions taken:** There have been improvements in aspects of trade facilitation, but many remain below best practice.

**Recommendations:** Ease FDI screening requirements, clarify criteria for meeting the net national benefit test and remove ministerial discretion in their application. Encourage more extensive use of advance rulings on imports and improve the publication and dissemination of trade information. Sell remaining government shareholdings in electricity generators and Air New Zealand. Remove legal exemptions from competition policy in international freight transport.

**\*Improve housing policies.\*<sup>1</sup>** Restrictive land-use policies reduce housing supply responsiveness to demand, eroding affordability and the potential for agglomeration economies.

**Recommendations:** Implement the Productivity Commission's recommendations on improving urban planning, including: adopting different regulatory approaches for the natural and built environments; making clearer government's priorities concerning land

1. New policy priorities identified in *Going for Growth 2017* (with respect to *Going for Growth 2015*) are preceded and followed by an “\*”.

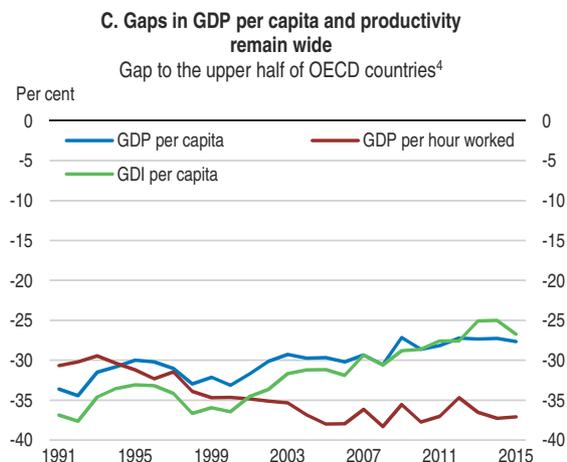
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## Growth performance and inequality indicators

A. Growth		
Average annual growth rates (%)	2003-09	2009-15
GDP per capita	1.1	1.3
Labour utilisation	0.4	0.5
of which: Labour force participation rate	0.4	0.3
Employment rate <sup>1</sup>	-0.2	0.1
Employment coefficient <sup>2</sup>	0.3	0.1
Labour productivity	0.4	0.7
of which: Capital deepening	0.9	0.1
Total factor productivity	-0.5	0.6
Dependency ratio	0.3	0.0

B. Inequality		
	Level	Annual variation (percentage points)
	2012	2008-12
Gini coefficient <sup>3</sup>	33.3 (31.7)*	0.1 (0)*
Share of national disposable income held by the poorest 20%	7.6 (7.7)*	0 (0)*

\* OECD average



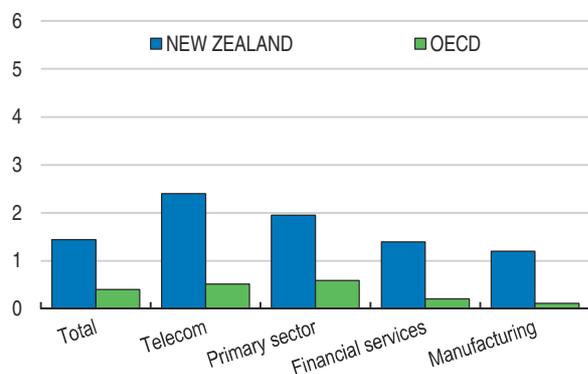
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice-versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. The Gini index measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.
4. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2010 PPPs).

Source: Panel A: OECD, Economic Outlook No. 100 Database; Panel B: OECD, Income Distribution Database; Panel C: OECD, National Accounts and Productivity Databases.

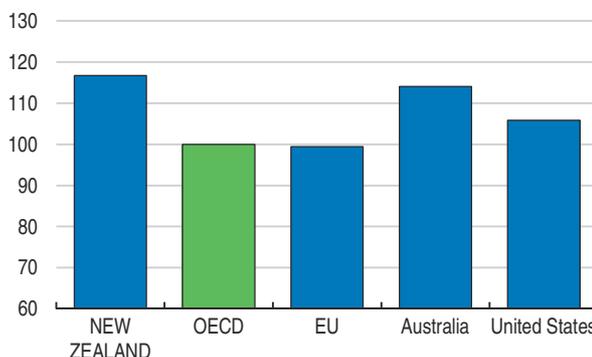
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## Policy indicators

**A. Barriers to FDI are comparatively high**  
Index scale of 0-6 from least to most restrictive, 2015



**B. Student performance is uneven**  
Variance in PISA scores as a percentage of OECD variance,<sup>1</sup> 2015



1. OECD = 100. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the students used in the analysis.

Source: Panel A: OECD, FDI Regulatory Restrictiveness Index Database; Panel B: OECD, PISA Database.

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use regulation and infrastructure provision; making the planning system more responsive in providing key infrastructure; adopting a more restrained approach to land regulation; strengthening local and central government emphasis on rigorous analysis of policy options and planning proposals; implementing pricing to reduce urban road congestion; and diversifying urban infrastructure funding sources.

**Reduce educational underachievement among specific groups.** Students from Maori, Pasifika and lower socio-economic backgrounds have much less favourable education outcomes than others.

**Actions taken:** An education reform aiming to improve teaching by strengthening collaboration between principals, teachers and schools was introduced in 2015. Teacher professional learning and development is to focus more on priority disciplines and schools with less than expected achievement levels.

**Recommendations:** Better target early childhood education on groups with low participation in such education. Improve standards, appraisal and accountability in the schooling system. To improve the school-to-work transition, enhance the quality of teaching, careers advice and pathways, especially for disadvantaged youth, and expand the Youth Guarantee. Facilitate participation of disadvantaged youth in training and apprenticeships.

**Improve health sector efficiency and outcomes among specific groups.** The public healthcare sector is relatively inefficient and health inequalities are high.

**Actions taken:** The NZ Health Strategy 2016 sets out strategic priorities for the next 10 years, including improving health sector efficiency and outcomes for disadvantaged groups. Better use of information is to be made to achieve these objectives. Funding is to be directed to areas where needs are greatest.

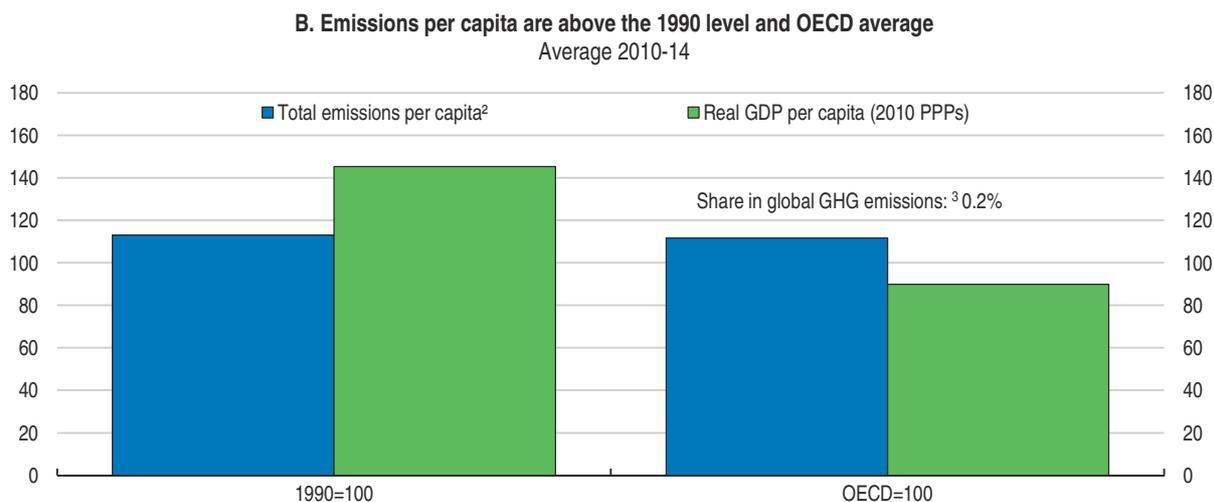
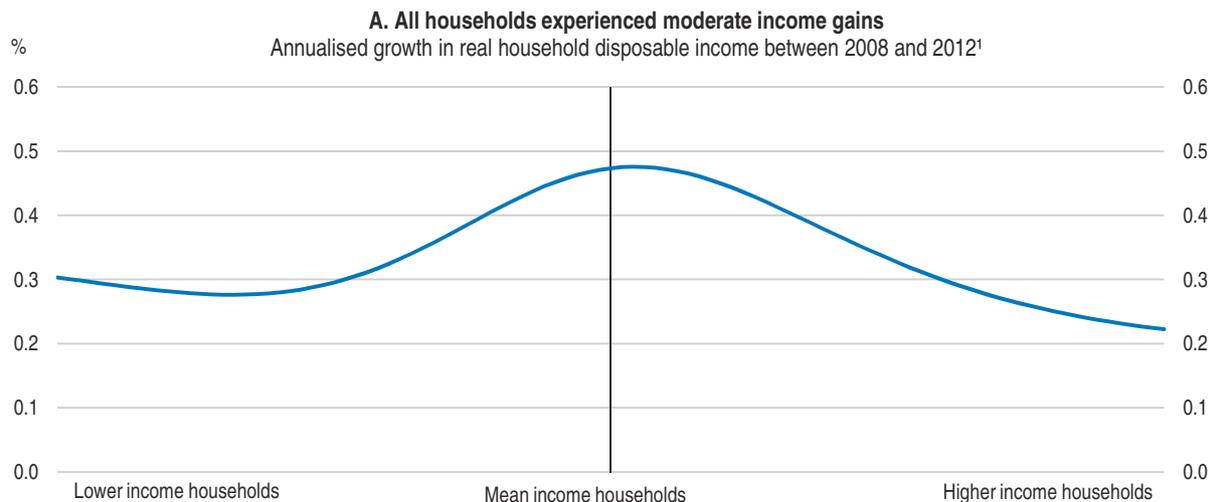
**Recommendations:** Increase District Health Boards' incentives to enhance hospital efficiency, improve workforce utilisation, integrate primary and secondary care, and better managed chronic care. Continue to encourage the adoption of more healthy lifestyles.

**Raise effectiveness of R&D support.** Relatively low public funding of business R&D contributes to below-average R&D intensity.

**Actions taken:** As announced in the 2014 and 2015 government budgets, public funding for business R&D is being progressively increased in the period up to 2019.

**Recommendations:** Further boost support for business R&D to help lift it to the longer-term goal of 1% of GDP. Evaluate grant programmes. Co-ordinate immigration and education policies with business skills needs for innovation.

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**Beyond GDP per capita: Other policy objectives**

1. The data show average annual growth rates in disposable income (i.e. income after tax and transfers) across the distribution and refer to the period between 2008 and 2012. Disposable incomes cover the full population. Income data are expressed in constant prices (OECD base year 2010).
2. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Israel and Korea) is calculated according to the same definition.
3. Share in world GHG emissions is calculated using International Energy Agency (IEA) 2010 data.

Source: Panel A: OECD, *Income Distribution Database*; Panel B: OECD, *National Accounts and Energy (IEA) Databases*, *United Nations Framework Convention on Climate Change (UNFCCC) Database*.

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