

NEW ZEALAND

Priorities supported by indicators

Reduce educational under-achievement among specific groups (2005, 2007, 2009)

Recommendations: Link teachers' pay and career advancement to professional development and to improving achievement of minorities and low-income groups.

Actions taken: A new school qualification system, the National Certificate of Educational Achievement (NCEA), was introduced in 2002. By 2008, the number of school leavers achieving NCEA Level 2 increased substantially, especially among minority groups.

Facilitate access to childcare for working parents (2007)

Recommendations: Improve access to childcare, especially for the disadvantaged and three and four-year-olds.

Actions taken: The government increased subsidies for childcare and early childhood education over the last 5 years.

Reduce barriers to competition in network industries (2007, 2009)

Recommendations: Clarify the regulatory and competition framework in most network industries. Divest public ownership and dismantle entry barriers in international air transport and rail.

Actions taken: The government has amended the regulatory framework for electricity transmission, gas pipelines and specified airports. The performance and governance of the electricity market and local telecom services obligations are being reviewed. The government also passed emissions trading legislation in 2008 (reviewed in 2009). The rail network has been re-nationalised.

Raise the effectiveness of R&D support (2009)

Recommendations: Orient immigration, education and labour market policies to enhanced innovation skills. Examine the efficiency of research grants and consider replacing them in part by tax incentives.

Actions taken: The government cancelled a new R&D tax credit with the onset of the economic crisis and is looking at alternative instruments to support business R&D.

Strengthen incentives to move from welfare to work (2005)

Recommendations: Strengthen activation policies, and monitor the adequacy of the labour-supply response to *Working for Families* transfers. Consider back-to-work bonuses for long-term beneficiaries.

Actions taken: In 2007, the government introduced measures to support the transition to the labour market of sickness and disability benefit recipients with some ability to work. Activation policies for unemployment beneficiaries were reinforced by a new job search service. The government has announced a set of initiatives to help young people access employment, training and education during the crisis.

Reduce barriers to foreign ownership (2005)

Recommendations: Remove consent rules for foreign acquisitions of 25% or more of firms worth more than NZD 50 million, and find other ways of protecting "sensitive land".

Actions taken: The 2005 Overseas Investment Act increased the threshold to NZD 100 million, but in 2008 the government tightened entry barriers for investment in infrastructure on sensitive lands. In 2009, the government exempted a number of technical transactions from screening and delegated more decisions to speed up processing times.

Other key priorities

► **Deal with infrastructure bottlenecks, especially in transport and energy (2005, 2007, 2009)**

Recommendations: Change regulations to unblock investments. Use tolls and congestion pricing to restrain demand.

Actions taken: Increases in national user charges have funded large increases in transport investment. The first toll road opened in 2008. A National Infrastructure Unit has been established to set national infrastructure priorities. In 2005 and again in 2009, the government amended the Resource Management Act to streamline procedures for obtaining resource consent.

Improve efficiency in health and education (2007, 2009)

Recommendations: Increase incentives for public-sector managers to enhance efficiency. Continue to improve service access for minority groups.

Actions taken: The government has established national standards/targets in both health care and education, along with strengthened information systems and funding linked to national priorities. The Ministry of Health has announced changes to improve service planning, capital spending decisions and technology assessment. The Education Ministry has announced a plan to link tertiary the funding of tertiary institutions more closely to performance.

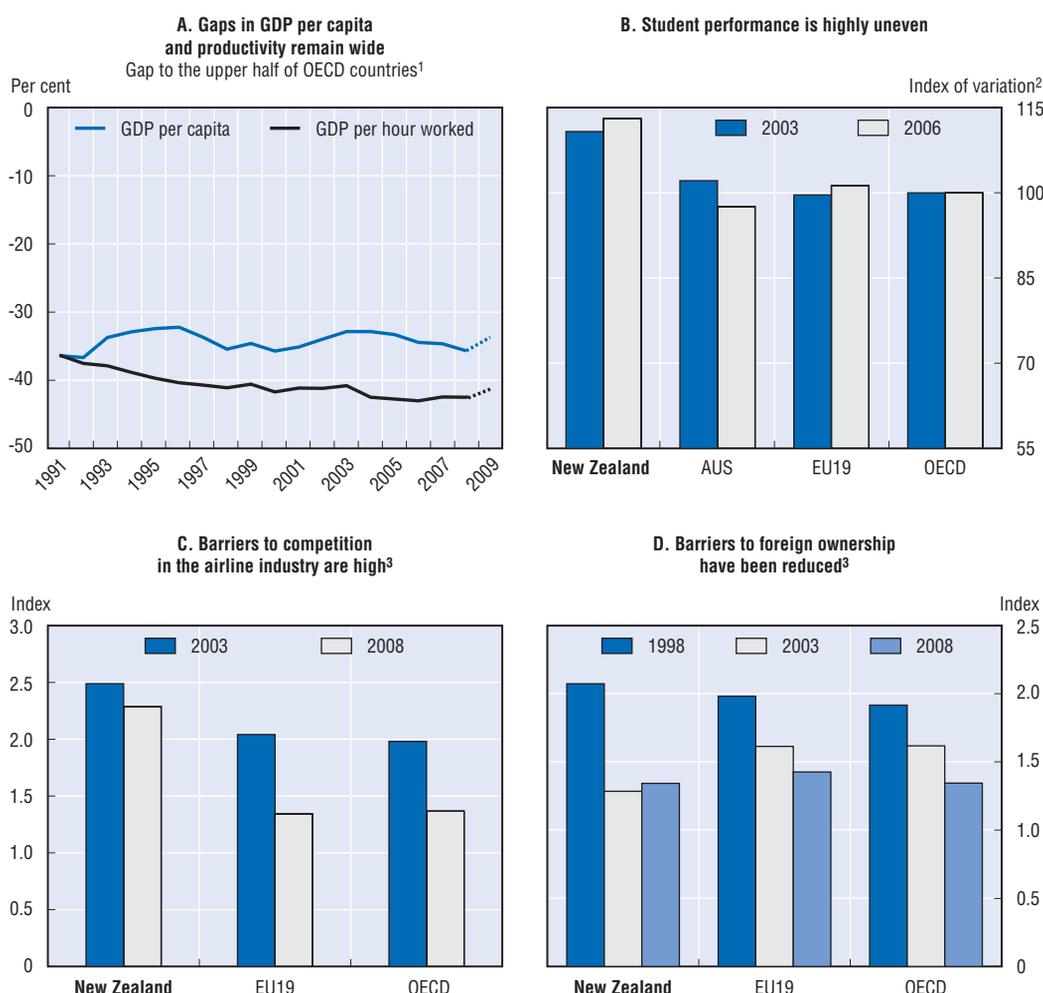
Ensure that employment relations legislation supports efficient labour-market outcomes (2005)

Recommendations: Reconsider the 2004 changes in the Employment Relations Act that raised labour costs.

Actions taken: The government amended the Act in late 2008, introducing a trial period of 90 days for new employees in businesses with fewer than 20 staff. A review of the employment relations legislation is currently underway.

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- Robust labour utilisation and terms-of-trade gains in the years prior to the economic crisis have helped to offset the impacts of relatively subdued labour productivity growth on the wide per capita income gap relative to the upper half of OECD countries.
- Progress on key priority reforms has been mixed. Public spending, ownership and regulation of economic activity have expanded, with often adverse impacts on competition, investment certainty and foreign entry. Similarly little progress has been made on performance incentives for teachers and encouraging R&D. More positively, the government linked welfare benefits more closely to job search requirements.
- Reforms in other areas are progressing, notably output-based funding in health and education. The government has eased employment protection legislation, is committed to removing regulatory obstacles to infrastructure investments and resource management, and is examining the efficiency of all government spending. It has also legislated an ambitious emissions-trading scheme.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the *OECD Economic Outlook*, No. 86.
2. Standard deviation of average student performance in mathematics, science and reading.
3. Index scale of 0-6 from least to most restrictive.

Source: Chart A: OECD, *National Accounts and Economic Outlook 86 Databases*; Chart B: OECD, *PISA Databases 2003 and 2006*; Charts C and D: OECD, *Product Market Regulation Database*.

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