

## NEW ZEALAND

*A large gap in GDP per capita persists relative to the upper half of OECD countries, which is entirely due to low labour productivity. There has been progress on negotiating regional free trade agreements, reducing tax distortions and pricing carbon emissions, but reforms in the following areas are still needed.*

### Priorities supported by indicators

#### **Reduce barriers to competition in network industries**

Significant barriers to competition in electricity transport and telecommunications deter investment and innovation.

**Actions taken:** An Electricity Authority was established in October 2010, and a Productivity Commission is to be established in early 2011 – both arms-length Crown agencies. The government plans to regulate mobile termination charges in the interest of consumers. The government is helping to fund a major roll-out of broadband.

**Recommendations:** Dismantle barriers to competition in international air transport and rail. Fund investments in road, energy, and water and use tolls and congestion pricing to restrain demand. Continue to review and clarify the competition framework in network industries. Ensure greater broadband penetration. Remove all remaining tariffs.

#### **Relax barriers to foreign direct investment and reduce regulatory opacity**

Although narrow in scope, screening procedures on foreign direct investment might deter investment. More broadly, extensive improvements in regulation are needed.

**Actions taken:** With “Better Regulation, Less Regulation”, the government launched several enhancements to regulatory quality management and a major regulatory review programme. A Regulatory Responsibility Taskforce has also been set up. However, the FDI screening regime for sensitive land has been further tightened.

**Recommendations:** Have clearer, fewer and more efficient regulations as part of the government’s programme to raise living standards. Pass the Regulatory Responsibility Bill. Remove consent rules for foreign acquisitions of 25% or more in larger firms, and clarify the criteria for protecting “sensitive land”. Continue to streamline environmental impact assessments for investment projects.

#### **Reduce educational underachievement among specific groups**

Wide gaps in achievement emerge at an early age. Maori and Pacifica students disproportionately leave school without basic skills and with poor labour market prospects.

**Actions taken:** The government has: introduced a “Youth Guarantee” ensuring access to education leading to worthwhile qualification and employment; developed targeted initiatives aimed at improving early education for disadvantaged communities with a special focus on raising Maori and Pacifica participation; and established an Education Workforce Advisory Group on how to raise the overall quality of teaching across the school system.

**Recommendations:** Provide early intervention to raise literacy and numeracy levels of weaker students. Support the ongoing development of a high-quality teaching workforce by improving teacher education and ongoing learning and development, strengthening professional leadership and enhancing recognition, reward and progression within the teaching profession.

### Other key priorities

#### **Raise the effectiveness of R&D support**

Lack of R&D credits and relatively low direct public R&D funding contribute to below-average R&D intensity.

**Actions taken:** None.

**Recommendations:** Reinstate the R&D tax credit, cull less efficient research grants, boost direct public R&D funding and improve R&D policy co-ordination. Orient immigration, education, and labour-market policies toward supplying more innovation skills.

#### **Improve health-sector efficiency**

The health-care sector suffers from weak efficiency incentives and, consequently, low productivity.

**Actions taken:** The health-care sector has been reorganised to improve public managerial accountability.

**Recommendations:** Boost value for money in health care by developing better output and quality measures, strengthening public health providers’ accountability for performance, and using more competitive contracting for public funds. Continue to improve access and service quality for minority groups with an increased focus on the prevention and management of chronic illnesses.

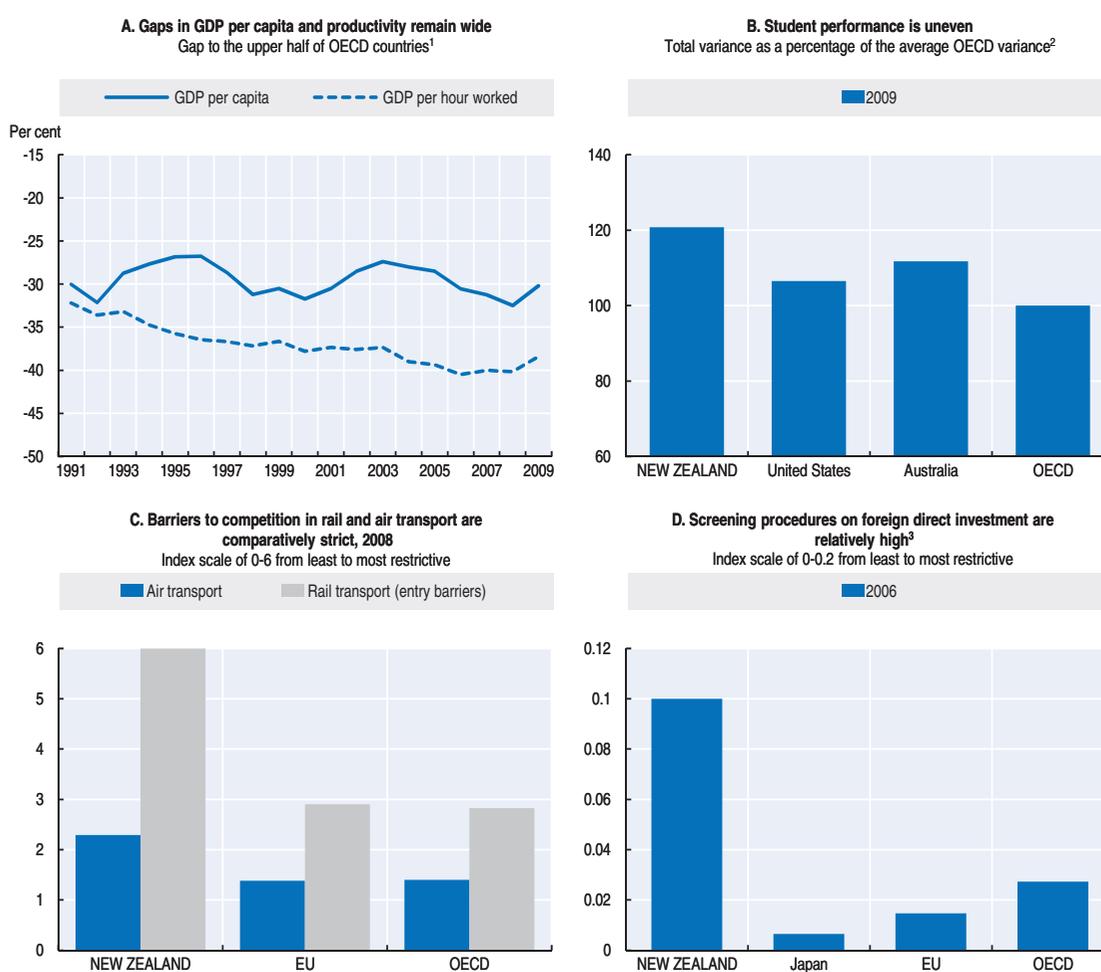
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## Structural indicators

Average annual trend growth rates, per cent

|                             | 1999-2009 | 1999-2004 | 2004-09 |
|-----------------------------|-----------|-----------|---------|
| GDP per capita              | 1.6       | 1.9       | 1.3     |
| Labour utilisation          | 0.6       | 0.8       | 0.3     |
| of which: Employment rate   | 0.9       | 1.1       | 0.8     |
| Average hours               | -0.3      | -0.3      | -0.4    |
| Labour productivity         | 1.0       | 1.1       | 1.0     |
| of which: Capital intensity | 1.2       | 1.0       | 1.3     |
| Multifactor productivity    | -0.1      | 0.1       | -0.3    |

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. The variance components, in reading performance only, were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance is calculated from the square of the standard deviation for the students used in the analysis.
3. The FDI regulation index looks only at statutory restrictions and does not assess the manner in which they are implemented.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, PISA 2009 Database; Charts C: OECD, Product Market Regulation Database; Chart D: Koyama, T. and S. S. Golub (2006), "OECD's FDI Regulatory Restrictiveness Index: Revision and Extension to More Economies", OECD Economics Department Working Papers, No. 525.

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