

NEW ZEALAND

Growth in GDP per capita has slowed, and its level remains significantly below the OECD average, almost entirely because of lower hourly labour productivity.

Priorities supported by indicators

Improve the performance of electricity markets

Investment in electricity generation and transmission is being stymied by ongoing uncertainties about the future regulatory framework and climate change policies.

Actions taken: In October 2004, the government outlined its objectives for the electricity sector in its Government Policy Statement on Electricity Governance. In December 2005, it withdrew the carbon tax intended to come into force in 2007. In December 2006, it released a draft national energy strategy, a discussion document on climate change policy and a draft conservation and energy-efficiency strategy.

Recommendations: Rapidly establish a transparent and durable framework to reduce regulatory uncertainties and to provide incentives for efficient market-based outcomes.

Facilitate access to childcare for working parents

Access to childcare and out-of-school hours care for working parents is constrained by high out-of-pocket costs while rising regulatory standards are constraining supply. These costs, together with the withdrawal of income-tested family transfers, can result in high marginal effective tax rates and lower average hours worked, especially for second earners.

Actions taken: The means-tested childcare subsidy for low-income households has been increased by 17% since October 2004. Up to 20 hours of free weekly early childhood education for three and four year-olds is to be introduced in all early childhood education services run by qualified teachers from July 2007, as long as places are available.

Recommendations: Ensure that efforts to lift quality of childcare do not compromise access, especially for disadvantaged children, and that sufficient places are available for the 3 or 4 years-old. Scale back income-tested transfers, and instead channel more funding into reducing out-of-pocket costs for childcare.

Reduce the extent of educational under-achievement observed among specific groups

Continued socio-economic difficulties for Maori and Pacific Island youth, in particular high unemployment rates, are linked to under-achievement in education, although the educational attainment of Maori and Pacific Island school leavers improved sharply in recent years.

Actions taken: Progress has been made in identifying evidence-based best practices and in encouraging professional development, including initiatives that focus on lifting education achievement among Maori youth.

Recommendations: Promote greater differentiation in teacher pay according to ongoing professional developments and to their success in improving educational outcomes for group at risks of under-achievement.

Other key priorities

- Increase the incentives for public-sector managers to identify and implement efficiency improvements through well-designed performance targets supported by robust information systems, especially in health and education.
- Establish a more rational set of road pricing arrangements, including tolls and congestion pricing, to help reduce road-transport bottlenecks and localised urban pollution.