

NEW ZEALAND

Growth in GDP per capita has risen markedly in New Zealand in the past decade, albeit not sufficiently for a catch-up with the top half of OECD countries. The large gap in labour productivity has widened.

Priorities supported by indicators

Strengthen incentives to move from welfare to work

Nine per cent of working-age New Zealanders have been on public income support for more than a year, and incentives to move from welfare to work are weak.

Actions taken: The “Jobs Jolt” provides more active case management for job seekers. The child tax credit will be replaced with an in-work payment, and abatement thresholds for in-work payments, family support and parental tax credits will rise from April 2006. Work testing of sole-parent benefits was abolished in 2003.

Recommendations: Strengthen activation policies, for example, by re-introducing work testing for sole parents with school-age children. Consider back-to-work bonuses for long-term beneficiaries moving into a job. Monitor carefully the impact of the set of measures unveiled in the last budget (the *Working for Families* package), and make adjustments if the labour supply response is not significant.

Reduce barriers to foreign ownership

Consent is required for foreign acquisitions of 25 per cent or more of firms worth more than NZ\$ 50 million. Commercial fishing is subject to foreign ownership restrictions, and any single foreign entity requires ministerial approval to own more than 49.9 per cent of Telecom New Zealand. Consent rules apply to certain land purchases.

Actions taken: A bill introduced into Parliament in November 2004 proposes a number of changes, including an increase in the threshold to \$100 million, but also a tightening of conditions for sensitive land.

Recommendations: Remove restrictions on foreign investment in business activities. Examine ways of protecting sensitive land through other instruments such as land-use constraints.

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

Although average student achievement remains high, the under-achievement of some groups, particularly among ethnic minorities, persists as indicated by the high variance in performance on standardised tests. This undermines subsequent labour market performance.

Actions taken: The government is developing a “Schooling Strategy” to efficiently boost performance, including that of under-achievers. More early childhood education places are being phased in over the next four years.

Recommendations: Further expand early childhood education, and develop effective early intervention programmes that are well coordinated with other parts of the social policy framework. Continue efforts to raise teaching quality.

Other key priorities

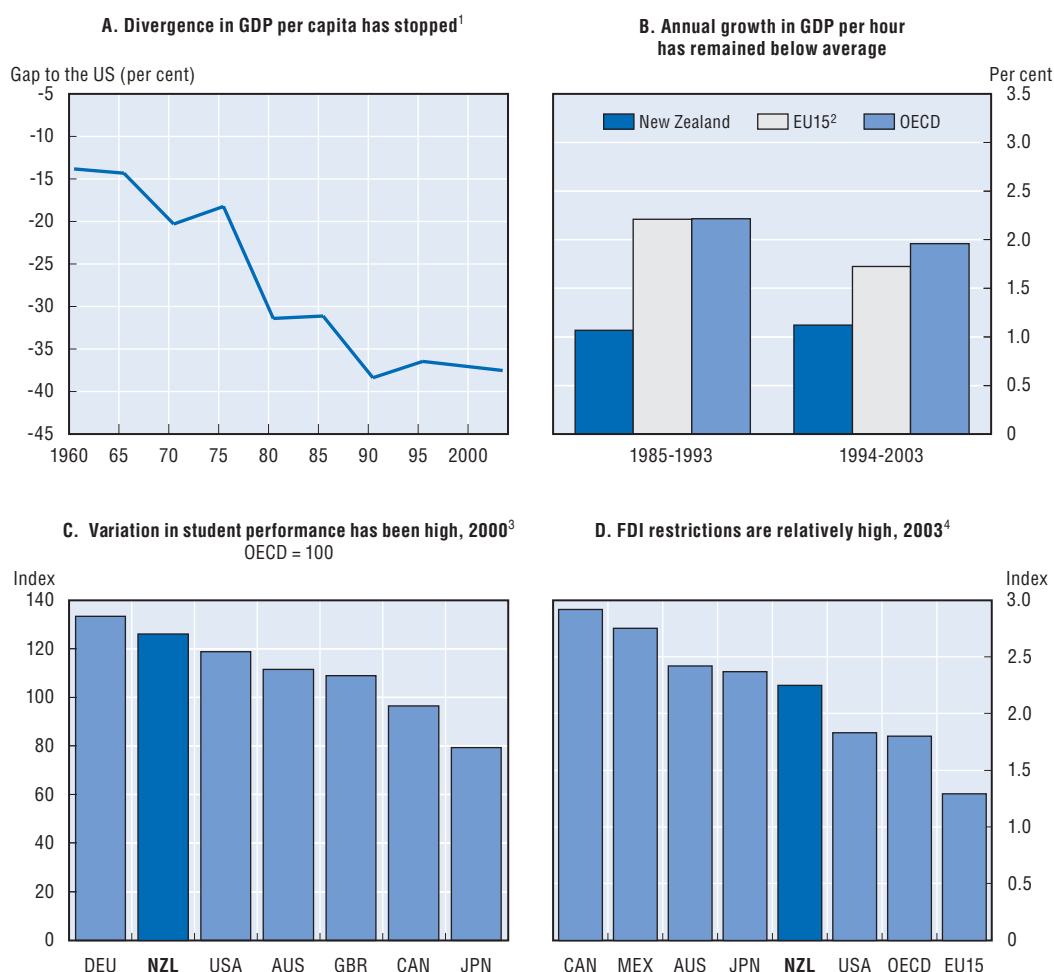
- Reconsider recent measures that have raised labour costs, and ensure that employment relations legislation supports efficient labour market outcomes.
- Create a business environment more conducive to growth by improving the regulatory framework for addressing infrastructure bottlenecks, especially in transport and energy.

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Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	0.5	1.6	2.0	2.0
Trend employment rate	71.7	70.0	71.9	73.2
Trend participation rate	76.9	75.4	76.8	77.6
Structural unemployment rate (NAIRU)	6.7	7.1	6.3	5.7

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).
2. Excluding Austria and Luxembourg.
3. Percentage of average variation of student performance in OECD countries.
4. Index scale of 0-6 from least to most restrictive.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD Knowledge and Skills for Life, PISA 2000; Chart D: OECD Regulation database.