

## NEW ZEALAND

- The income gap *vis-à-vis* leading OECD economies remains considerable. Since rates of labour utilisation are among the highest in the OECD, the income gap is entirely explained by a significant shortfall in hourly labour productivity.
- Among key priorities, much is being done to achieve more efficient public spending and reduce state ownership in network sectors. By contrast, little has been done to reduce barriers to inward foreign direct investment (FDI).
- Policies to strengthen competition in network industries and to reduce regulatory opacity and barriers to FDI could help to attract new investment. Improving education and health outcomes of disadvantaged minorities would foster human capital accumulation. Stronger policy support to research and development (R&D) could boost innovation intensity.
- Reducing educational underachievement, particularly among low socio-economic and minority groups, would boost growth *via* human capital accumulation and at the same time help to reduce inequality and poverty.

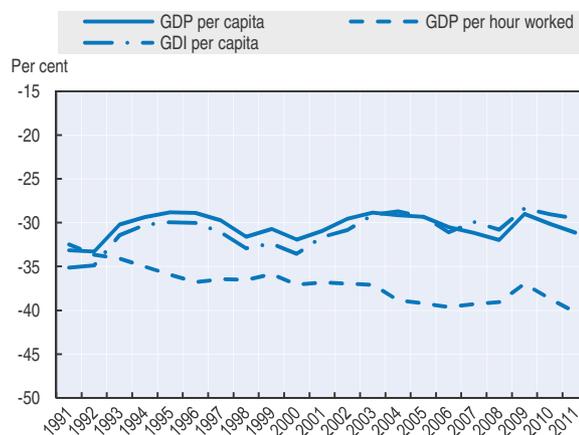
### Growth performance indicators

A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	1.5	0.2
Potential labour utilisation	0.7	-0.2
<i>of which:</i>		
Labour force participation rate	0.4	0.2
Employment rate <sup>1</sup>	0.3	-0.4
Potential labour productivity	0.8	0.4
<i>of which:</i>		
Capital intensity	0.6	0.7
Labour efficiency	-0.1	-0.5
Human capital	0.3	0.2

B. Gaps in GDP per capita and productivity remain wide  
Gap to the upper half of OECD countries<sup>2</sup>



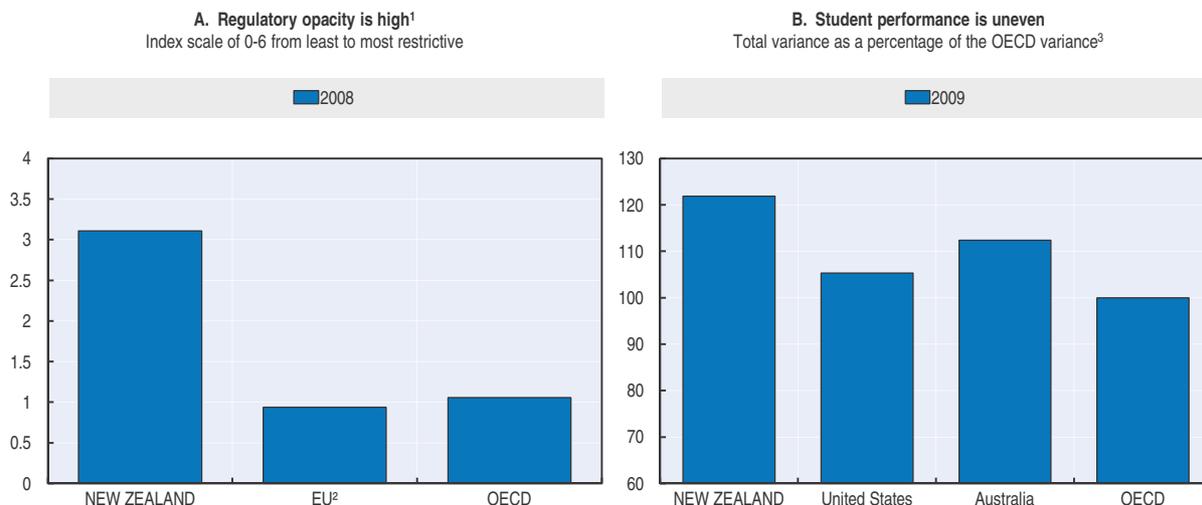
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

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## Policy indicators



1. Regulatory and administrative opacity.
2. Average of 21 EU countries members of the OECD.
3. The variance components in maths, 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: OECD, Product Market Regulation and PISA 2009 Databases.

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## Identifying Going for Growth 2013 priorities

## Priorities supported by indicators

**Reduce barriers to FDI and regulatory opacity.** A non-transparent FDI screening regime and opaque regulation may deter investments.

**Actions taken:** A recent judicial ruling on a foreign farmland acquisition toughened the net benefit test. The government is revising the Regulatory Standards Bill.

**Recommendations:** Ease FDI screening requirements, clarify the criteria for meeting the national net benefit test for major FDI bids in sensitive land, and remove ministerial discretion in their application. Pass the revised Regulatory Standards Bill to promote enhanced transparency and accountability.

**Enhance capacity and competition in network industries.** Barriers to competition in electricity, transport and telecoms deter investment and innovation.

**Actions taken:** The government is proceeding with sales of minority stakes in three electricity generators, a coal mining company and Air New Zealand. The government has committed NZD 1.35 billion to its Ultrafast Broadband Initiative, with private co-investments, but failed to provide a full cost-benefit analysis.

**Recommendations:** Remove legal exemptions in international freight transport. Use tolls and congestion pricing to manage demand in road, energy and water sectors. Abolish the “Kiwi Share” in Telecom.

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**Reduce educational underachievement among specific groups.** Maori and Pacific students disproportionately leave school without basic job-market skills.

**Actions taken:** A range of initiatives, including free tertiary education places and Trade Academies are being established under the Youth Guarantee to increase achievement of 16-17 year-olds. Some funding for early childhood education is being targeted at low socio-economic communities.

**Recommendations:** Improve standards, appraisal and accountability in the schooling system. Improve the school-to-work transition by further enhancing the quality of teaching, career advice and pathways and by expanding the Youth Guarantee. Better target early childhood education (ECE) on population groups with poor participation. Expand training and apprenticeships in high-unemployment areas.

**Other key priorities**

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

**Actions taken:** A publicly-funded Advanced Technology Institute (ATI) is being created to better serve the needs of innovative New Zealand businesses, in line with recommendations of an independent report.

**Recommendations:** Reinstate the R&D tax credit. Boost funding for business R&D and rigorously evaluate all grant programmes for efficiency. Coordinate immigration and education policies with business skill needs for innovation. Ensure close linkages between the new ATI and industry.

**Improve health-sector efficiency.** The public health-care sector is relatively inefficient and health inequalities are high.

**Actions taken:** The 2012 Budget provided funding for new models of integrated family care and of chronic-care management. Recent reforms at the District Health Boards (DHBs), notably the introduction of performance targets and tighter budget controls, have helped to cut costs.

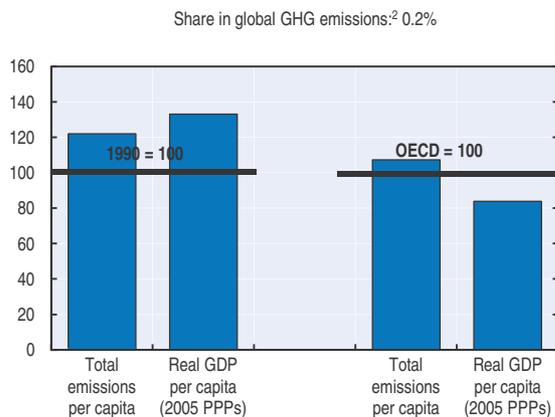
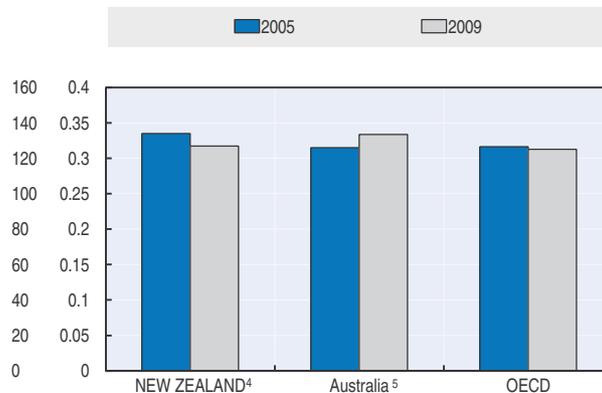
**Recommendations:** Increase DHBs' incentives and autonomy to pursue greater hospital efficiency, improve workforce utilisation, integrate primary and secondary care, and better manage chronic care. Provide education, assistance and incentives to adopt healthy lifestyles, especially among minority populations.

**Previous Going for Growth recommendations no longer considered a priority**

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

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## Other dimensions of well-being: Performance indicators

A. Emissions per capita are close to the OECD average  
Average 2006-10<sup>1</sup>B. Income inequality<sup>3</sup> has decreased but is somewhat above the OECD average  
Gini coefficient

1. Total GHG emissions including LULUCF in CO<sub>2</sub> equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Data refer to 2003 and 2009/2010.
5. Data refer to 2004 and 2009/2010.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data ([www.oecd.org/social/inequality.htm](http://www.oecd.org/social/inequality.htm)).

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