



Guidance ON Economic Plan FOR New Zealand Post Covid-19

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This paper merges the contributions of around 60 CEOs of New Zealand's largest companies: members of the BusinessNZ Major Companies Group CEO Forum, collected in a series of sprints via Zoom.

The views and suggestions below are not exclusive and will be consistent with much of the thought leadership that is already being produced by member businesses and industry organisations¹

Four key themes emerged from our discussion:

- 1. Jobs**
- 2. The Border**
- 3. Infrastructure**
- 4. The Economy**

The themes operate against a backdrop of uncertainty, disruption and change - some Covid-related, some not - in large industrial businesses, some of which are industries in their own right within the New Zealand economy.

Policy recommendations recognise there can be multiple collateral benefits from any one intervention; examples below indicate proposals that do 'double duty' across more than one key theme.

¹ Excellent examples include: The Rebuild series produced by PWC; the Respond, Recover, Thrive Covid Portal developed by Deloitte; Infrastructure Resilience and Economic Recovery for New Zealand produced by the Digital Trust and MATTR; and Visionweek – a week-long web summit focused on reimagining New Zealand.



Given the current Covid environment, CEOs consider that the Government's focus should be on saving existing jobs as well as creating new jobs.

Transitional arrangements need to be developed for large industrial players that may need to change or close their operations. Rapid upskilling and redeployment of the workforce, co-ordination of transitions for the workforce to geographical and industry areas where labour market demand is stronger, and getting ahead of skill demand for critical and growth industries will be important.

This would be assisted by better information about skills availability and possible labour market mobility throughout New Zealand.

New Zealand's inadequate planning for infrastructure development and lack of a coherent, strategic, and stable long-term pipeline of infrastructure projects makes it difficult to achieve long-term skills and employment planning.

CEOs are seeking a policy response that enables a highly responsive skills system to recognise industry needs and deliver training at the right time, in the right place and to the right skill level.

Example: Importance of Skills

The decline in vocational education and poor labour market signaling of what skills and jobs have demand have contributed to company challenges in getting the people necessary to support growth in recent years, and has seen an increase in immigration as a channel for getting the right skills and people. The Government's RoVE is intended to increase responsiveness of the skill system however is some years away from being fully realised and operational. It is not clear what the short-term measures in the interim to address the skill challenges will be. MCG proposes that:

The labour market approach is designed to be dynamic to the changing labour market, and companies are able to access and utilise the skills from within New Zealand.

An overly restrictive approach to immigration to address rising unemployment will be too blunt and risks creating greater economic hardship by removing skilled and experienced people from firms.

It is suggested that greater flexibility is allowed for tertiary providers where there is strong evidence of meeting business need for reskilling to enable innovative approaches to reskilling and redeploying the workforce.

The Apprenticeship Boost is welcomed, however it is also recommended that further support is needed in terms of initiatives like Flexi-wage having broader criteria to enable job retention and to recognize the cost to business of lost productivity and fiscal constraints in the current environment.

2

THE

Border

CEOs consider that economic activity and New Zealand's ability to grow our way out of the Covid crisis are under threat as a result of inadequate border settings. The approach to the border needs to shift from 'closed' to a risk management approach.

They consider it essential to expand New Zealand's border management capability in order to maintain economic activity, with the help of private sector skills operating within a Government-mandated framework.

For example, uncertain immigration settings are preventing critical workers from coming into New Zealand. This is putting other

New Zealand jobs at risk, particularly within our industrial base.

A simple, fast process for bringing critical workers across the border is required to enable widespread resumption of economic activity.

CEOs want to see New Zealand's biosecurity management strengths leveraged and border management systems improved to create the world's smartest border.

There will also need to be an expansion of capability for testing, and tracing and user-pays quarantine and isolation services which may need to include partnerships with the private sector to execute.

CEOs recommend: Border Management

- Implement a plan for opening the border in stages according to risk levels
- Set rules differently for travel to and from different countries, based on level of risk
- Set a timeframe for reviving tourism
- Give priority to Pacific travel bubbles
- Develop tracing protocols and applications in close consultation with the New Zealand software industry
- Use the private sector for testing, tracing and user-pays quarantine and isolation services, in line with Government specifications

Border exceptions

- Prioritise categories of non- New Zealand arrivals e.g. critical workers, international students, family reunifications.
- Apply a salary threshold of \$250,000 p.a. for talented specialists seeking entry
- Allow entry to immediate family members of talented specialists already in New Zealand
- Apply the same criteria for border exceptions as for critical companies and critical workers
- Administer critical border exceptions within 3 days

Immigration

- Clarify and simplify current rules around immigration
- Refocus the immigration system on foreign investment, exports, and infrastructure
- Allow people on skilled visas to return to their jobs in New Zealand with pathway to residency
- Exempt critical workers from the 3-year stand-down rule once current visa extensions expire
- Allow visa-holders currently in New Zealand to change location, company, and role
- Replace labour market tests with advice from industry associations and major companies





3 Infrastructure

CEOs believe a stronger focus is needed on infrastructure in its widest sense - both vertical and horizontal, including transport infrastructure and smart transport technologies, communications and digital infrastructure, commercial and industrial infrastructure, and residential infrastructure

including social and state housing stock and associated utilities.

Building infrastructure is a major component in providing employment support and economic stimulus for post-Covid New Zealand.

Recommendations:

- Infrastructure funding constraints should be addressed by enabling and encouraging partnerships with a broad range of capital.
- A framework is required for introducing and managing private capital into projects and maximising the value of the partnerships involved.
- A key responsibility for the next Government will be to execute the programme of work in the pipeline for New Zealand Upgrade Programme and Shovel Ready projects.
- Clarity around the infrastructure pipeline of work is needed for investors, developers, and builders. It would enable the sector to move beyond the currently cyclical (peak and trough) nature of construction - the Kaianga Ora model is a good example in state housing.
- Government procurement processes and skills need to be upgraded to allow a focus on aligned infrastructure objectives: higher value jobs, rapid skills development, sustainability, and integrated infrastructure planning.

- An integrated model for government investment rather than a department by department approach is recommended.

In support of this, it is essential to have a cohesive, fully connected logistics system, recognizing the value of private and local government capital invested into areas such as ports.

- The sustainability and performance of local government is relevant to sound infrastructure development - CEOs consider that a sustainable, fit for purpose model for funding local government is critically needed.
- CEOs also agree that a new approach to resource management - that enables better quality decision-making around infrastructure and construction - is needed.

CEOs believe commercial, industrial, and residential construction could be incentivised through, for example tax breaks for maintenance.



4 THE Economy

CEOs believe a policy framework that provides certainty for investment is urgently needed.

Several major sectors including energy, agriculture, heavy industry, transport, international education, vocational education, tourism, and hospitality are currently lacking a coherent roadmap for future development.

CEOs wish to see a clear long-term economic framework for New Zealand which views our current economic settings as ground zero and establishes plans for recovery and growth from that point.

Coherence in policy development affecting business and the economy is called for.

Policies should integrate the strengths of both the private and public sectors.

CEOs would like to see the Government develop a deeper and broader partnership with the private sector to deliver better and faster outcomes.

Economic growth would be boosted by enhanced public sector performance, in particular by significantly increasing the scale and pace of decision-making within the public sector.

The interface between the public and private sectors - e.g. government procurement within the New Zealand market - should be an explicit, strategic element of NZ's economic policy framework.

A useful framework would promote New Zealand enterprises' inclusion in international supply chains and encourage local content and input in national supply chains.

Sustainability should remain a high priority, with New Zealand's economic growth based on sustainable principles.

Transition plans should be developed for key industries such as energy.

Example: An Energy Transition Plan for New Zealand

- Draw on expertise from businesses and academia
- Focus on energy, not just electricity
- Ensure just transitions from previous settings
- Be supplier-neutral and technology-neutral, without picking winners
- Respond to challenges e.g. the prospect of major industrial users exiting the country
- Focus on emissions intensity rather than quantum of emissions
- Identify barriers for low carbon transport options
- Encourage increased energy efficiency in homes and businesses and investment in green research and development
- Be devised and implemented together with business