

TO: New Zealand Productivity Commission

FROM: Business Hawke's Bay

RE: Submission on Technology and the future of work

DATE: 4 June 2019

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## About Business Hawke's Bay

1. Making sure that the Hawke's Bay region has the right climate for business to thrive and grow is the mission of Business Hawke's Bay (BHB), a business-led economic development agency with a region-wide focus; providing business leadership and support for business and economic growth. BHB is funded by key partners; local councils, central government and the business community.
2. BHB works to **Attract, Build and Connect** the business community through:
  - Attraction of business, investment and a skilled workforce.
  - Building sectors, businesses, capability and innovation.
  - Connecting the business community, with Business Hawke's Bay, Hawke's Bay Business Hub services, and Matariki the Hawke's Bay Regional Development Strategy for economic and social growth.
3. We commend the Productivity Commission (the Commission) investigating the issue of how New Zealand can maximize the opportunities to manage the risks of disruptive technological change and its impact on the future of the work and the workforce. We appreciate the opportunity to actively comment on these important issues through the first issues paper Technological Change and the Future of Work (the Issues Paper).
4. 'Disruption' should not be seen with just negative connotations. To be innovative and entrepreneurial, being a disruptor and agent of change is often necessary. Being innovative is at the heart of Hawke's Bay businesses and you will find it well beyond the technology sector; with innovation embedded into the very heart of business in the region. Whether it is software to grade fruit via a digital image, a frost fan that can save a crop, sector leading ergonomic furniture design for schoolchildren or holistic nutrition to improve health and well-being, all of this innovation and the thinking behind it, is borne of Hawke's Bay. 2019 is Hawke's Bay's year of innovation and entrepreneurship, as we see it is important to nurture these skills for the future economic and social success of our region and to unlock our full potential.
5. Hawke's Bay's population is around 164,000. 44% of 25-34-year olds have degrees, diplomas or advance trade qualifications. We're proud that we have a regional strategy – Matariki Hawke's Bay Regional Development Strategy for social and economic growth. Our vision is that every household and every whānau is actively engaged in, contributing to and benefiting from, a thriving Hawke's Bay economy which is a vibrant, cohesive, diverse and a safe community where every child is given the best start in life and everyone has opportunities that result in equitable outcomes.

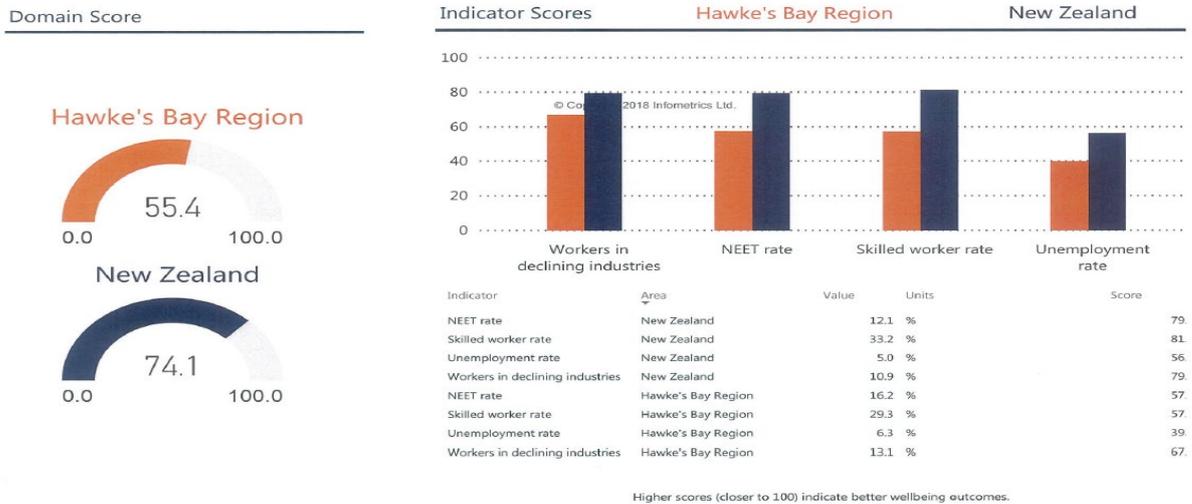
6. Through our Regional Development Strategy our region works together across anchor institutions such as the Hawke's Bay District Health Board and the Eastern Institute of Technology, local government, central government, business and our iwi and hapū partners to deliver on economic and social actions across Hawke's Bay from Wairoa in the North to Waipukurau in the South.

### **Submission response**

7. As Economic Development New Zealand (EDNZ) noted in its response to the Commission, the Issues Paper excludes important drivers of market behaviour and technology development such as consumer preferences, climate change, trade and business cycles. Other macro issues such as energy, food security, inclusiveness and biotechnology are also excluded. For the regions, and given our strong focus on agriculture, viticulture and manufacturing, many of the technological disruptions that occur are outside of the traditional technology sector. Many of our labour force are also employed in these areas. Sustainability is also now a business imperative. We feel that these broader issues noted above should be explored.
8. Territorial factors, such as regional and inter-regional dynamics could also be better explored. We support EDNZ's view that it will be important to ensure that territorial factors are explored as these will have significant effects on preparedness and future-focused actions. We cannot focus solely on national policies to guide economic development efforts. Further consideration needs to be given to ensure that national policy settings can be tailored for regional implementation to ensure it will meet the needs of the regional economy. A one size fits all approach will not work.
9. Areas of economic development such as attracting business, investment and a skilled workforce, building sectors and businesses and connecting the business community to create an ecosystem for business development support and innovation is best championed at a regional level to reflect regional needs. For example, in Hawke's Bay, compared with the rest of New Zealand, we have higher proportions of workers in declining industries, more NEETS, less skilled workers and higher unemployment rates as noted in the below graphs comparing jobs and earnings<sup>1</sup>.

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<sup>1</sup> Infometrics. Wellbeing data. 2019.



10. A larger portion of our communities are labourers, machinery operators, drivers and clerical and administration workers, areas which have a higher risk of job automation in the future. The Hawke's Bay region also has less of a workforce with NCEA level 3 compared with the remainder of the country. We note that there will be further reports due out in mid-2019 and hope regional diversity and territorial factors will be better explored then.
  
11. Further consideration on how to better support our more vulnerable communities will also need to be considered as the impacts on technology and the future of work will be greater for them given what we know from the statistics. We appreciate that technological change can have a hugely positive impact on the wellbeing of New Zealanders and can be seen as a driver for economic growth, however the benefits are not necessarily shared evenly from cities to regions or for certain ethnicities. For example, in Hawke's Bay, Māori are overly represented as labourers (31% of total jobs in the Hawke's Bay region, compared with 20% of total jobs across New Zealand). How we live into Te Tiriti o Waitangi and consider an indigenous lens to this work will be important and will need to be better explored as the Commission progresses through this inquiry. We should also consider how we can leverage off our economic successes to allow for better social inclusion – this will become increasingly important as the gap between the have and have nots continue to rise.
  
12. BHB endorses the Commission's view that 'dealing with an uncertain future calls for a different approach, characterised by keeping options open, collecting and monitoring information, engaging with stakeholders, delaying difficult-to-reverse decisions, real-options analysis, [and] building flexible institutions' (p18). We support EDNZ's view that regional economic development agencies, or organisations such as Business Hawke's Bay, are these flexible institutions. Regional economic development agencies can be the congruent between industries, Central Government and Local Government and are best placed to support their respective regions to respond to the impacts for its communities and individuals.

13. BHB also support the policy goals as outlined in the Issues Paper on pages 18 - 20. We particularly like the focus of looking at policies to create a dynamic and productive economy that rewards innovation. To be innovative rather than “doing innovation” has been identified as a global mega trend. We also recognise that a strong economic base is key to helping to contribute to broader social outcomes. We agree that policies need to ensure that we build a strong educational base, offer a wide range of learning options that reflect the needs of a diverse workforce (we would also note diverse regional needs need to be met) and that labour market policy and interventions are geared towards supporting affected people to find work that suits their skills and circumstances (we would also add that industries are appropriately encouraged and enabled to work with regional training providers to provide these appropriate career pathways through employment).
  
14. In relation to New Zealand’s skills and education training system reflecting the changing skill needs of the industry we see this as an important consideration. As a region we submitted on the recent Review of Vocational Education consultation. In that submission we noted that the Eastern Institute of Technology (EIT) is a trusted partner looking at strategies to develop our workforce, create new school-industry partnerships, promote sustainable value-added horticulture production and a cutting-edge apiculture sector along with other areas of focus for our region. As an anchor institution in the region EIT’s ongoing role will be important. If the proposal of Centres of Vocational Excellence is agreed upon, we see some obvious areas for Hawke’s Bay in land-based food and innovation, forestry and horticulture as key areas where EIT can work and connect with businesses to address our local needs. A future with more non-routine jobs, an increased expectation of digital literacy and a broader need for access to ongoing education for workers to upskill needs good institutions that can create fit for purpose education and training for our region. It will also be important that businesses are also incentivised to do this and that upskilling of the workforce is not seen as a barrier and is supported by industries to better match job seekers skills and employment opportunities. We agree with EDNZ that micro-credentialing could be one way to address some of these issues.
  
15. As a region we are also undertaking a study, the Hawke’s Bay Growth Study, to identify factors which may impact on the ongoing development of growth industries in our region. Topline findings released to date show that across the main food production sectors common workforce issues arising over the next 5-8 years focus on attracting and retaining staff, shortage of workers with the required skills and improving the skills of current staff due to expansion/technology change. Technology skills are now required in roles which would previously have been regarded as ‘semi-skilled.’ Technology specialists (agronomy, horticulture, processing, vision systems, robotics, automation, data science) and a general increase in technical skills were identified as new skills needed over the next 5-8 years and beyond. It has been commonly recognised that technology will generate profound change to business, and there is a considerable variance in the extent to which current technologies are at/near global best practice. Businesses cannot yet anticipate the skills they need in the future. It will be important that we encourage businesses to diversify and ensure workers have relevant and transferrable skills or upskill to continue to participate in the workforce.

16. We agree that digital connectivity is important for labour market participation. Recent work across the Crown Infrastructure Partners and the Provincial Growth Fund (Marae Connectivity, Regional Digital Hubs and RBI2 and MBSF expansion) will help better connect communities and provide greater opportunities for businesses, communities and individuals.
17. We are supportive of EDNZ's views in response to questions 29 – 33 of the Issues Paper that note that more emphasis needs to be placed on the business development ecosystem in the regions to support business growth and innovation. We agree that EDAs in the regions need more capability and capacity on the ground to fully live into their regions and deliver a one front door approach.
18. We look forward to ongoing active engagement in this important inquiry and look forward to the release of further papers in mid-2019.