

**Evaluation of the Quality of the New  
Zealand Productivity Commission's  
*Inquiry into Housing Affordability***

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May 2012

## **Summary Assessment**

This summary assessment is in relation to six key performance criteria against which the New Zealand Productivity Commission will assess the quality of its reports.

In making these comments I am mindful of the wide scope of this Inquiry, its limited timeframe and the fact that this Inquiry was taking place during the period when the Commission was being established.

Against this background, I consider that this Inquiry represented a comprehensive investigation that involved open and effective engagement with a wide range of external stakeholders. A very extensive range of evidence was collated and assessed. The judgements reached were balanced and flowed logically and credibly from the analysis. The final reports were readable and persuasive.

Some possible areas for improvement are identified that could have increased the impact of this report. Some centre on ways in which such an Inquiry might have extended its analysis and provided some deeper insights into key issues. Others concern how the Commission might give greater direction to the nature and focus of future work.

### ***Right focus***

The scope of this report was broad. The approach taken was sensible and effective. The report identified the most significant influences affecting housing affordability. The focus could have been strengthened by adopting a two staged approach where a second stage explored in greater depth the key influences. The recommendations could have provided a stronger sense of priority and focus for future work.

### ***Good process management***

A wide range of evidence and information was analysed and interpreted in a balanced and credible way. Open processes enabled the thinking of the Commission to be both tested and well informed. The framework of the report was sensible and worked well. Some additional and useful perspectives could have been gained by also taking a cross cutting view that centred on the smaller number of themes emerging from the individual chapters.

### ***High quality work***

Analysis and findings were credible, robust and persuasive. Evidence and information was assessed in balanced and considered ways with conclusions and recommendations flowing logically from the analysis. The report may have benefited from some deeper analysis in several areas - for example, to better understand why the New Zealand industry is much less productive than its counterpart in Australia.

### ***Effective engagement***

The Commission ran an open process with opportunities for broad engagement with interested parties. Final reports were balanced in terms of the judgements made and the breadth of views

heard. Some greater value may have been possible with a more in-depth focus on assessing the nature of practical changes that might be required to significantly lift performance.

### ***Clear delivery of message***

The reports are well written and accessible to a wide range of readers. They are persuasive and communicate effectively and consistently to a range of different audiences. The reports may have benefited from a summary chapter that takes a cross-cutting view across all chapters. The recommendations could have perhaps given more emphasis to how the work ahead could be best framed.

### ***Overall performance***

The full report is a comprehensive document with a wealth of information. Major barriers to improving outcomes are clearly and persuasively identified. Recommendations clearly flow from the analysis. In some key areas, more in-depth analysis relating to current practices could have been warranted. The report could have also provided stronger direction in relation to the framing and approach to follow-up work.

## **Introduction**

This report provides an independent review of the New Zealand Productivity Commission's *Inquiry into Housing Affordability*. The review is an input into the Commission's reporting on its performance, including identifying ways in which its performance can be improved.

The Terms of Reference for this report are attached as Annex A.

## **Approach**

In evaluating the Commission's overall performance in relation to this Inquiry the review was asked to place particular emphasis on:

- The relevance and materiality of the Commission's overall Inquiry report
- The quality of analysis of information in the final report and the quality of the report's findings and recommendations
- The effectiveness of the Commission's engagement and delivery of message, as evidenced in the final Inquiry report, summary report and "Cut to the Chase" summary.

The Productivity Commission's proposed performance framework was used to inform judgements. This is attached as Annex B. From this performance framework particular emphasis was given to the following key characteristics in undertaking this review:

- Deep knowledge

I have interpreted this as requiring the Commission to demonstrate a depth of institutional knowledge about:

- Policy, including the range and intent of government policies designed to influence housing outcomes
  - The key sectors and institutions involved in delivering services in relation to, or oversight of, housing provision
  - Research and evaluation that has been undertaken in relation to housing outcomes in New Zealand
  - Information and insights relating to housing markets and outcomes that have been obtained through the Commission’s processes of consultation and engagement in the preparation of their Inquiry
  - International experience and insights
- High quality evidence based analysis

I have interpreted this to be indicated by:

- The frameworks that have been used to analyse the information available
  - Robust analysis of the evidence used to inform judgements about key issues and possible solutions
  - Sound and convincing reasoning that supports the advice, and conclusions that clearly flow from the analysis
- Workable advice

I have interpreted this to require:

- Clear sense of desirable future actions and priorities
  - Consideration of what would be needed for effective implementation
  - Advice that is solution and outcome focussed
- Skilful communications

I have interpreted this to be characterised by documents that are:

- Persuasive
- Readable
- Concisely written and appropriate for key audiences
- Provide clear advice

This review was a paper based exercise that centred on the three documents published at the completion of the Inquiry. These three documents were the full report of the Inquiry, the Summary Report and the “Cut to the Chase” document.

## **Assessment**

### **Overview**

The Commission's full Inquiry report is a comprehensive document. It brings together a wealth of information about past and current trends and influences that affect housing affordability. This information is analysed and assessed to highlight past performance and the main factors that have influenced this. Major barriers to improving performance are identified. A series of recommendations are then made as to how housing affordability can be improved.

The Inquiry report highlighted a number of important and challenging issues that need to be addressed. Such issues included:

- The consequences for housing affordability arising from the continued growth of Auckland
- The prospect that owning their own home may be beyond the reach of a significant and growing number of New Zealanders
- The fiscal and social policy implications of a growing number of New Zealanders needing access to some forms of government support if they are to access affordable accommodation of an acceptable quality.
- A building industry that is fragmented with low overall levels of productivity
- Planning processes and regulations that contribute to an insufficient and unresponsive supply of land for housing

The report was underpinned by a comprehensive range of information. This provided a strong and credible evidence base on which the Inquiry's analysis, conclusions and recommendations were based.

The major issues that were identified flowed clearly from the evidence and its analysis. The impact on housing affordability of these issues was presented in clear and convincing ways.

Recommendations were relevant and focused on addressing the key barriers to improved housing outcomes.

The report was balanced in the way evidence was interpreted. It recognised that many issues were complex with links to wider economic, social and community outcomes. It recognised that to achieve better outcomes a coherent and concerted approach over a long timeframe would be required.

The three reports were readable. They communicated persuasively and openly. The three documents together are informative for different audiences and convey in a consistent manner the essence of the Inquiry and its findings.

The Inquiry had clearly been informed through an open and public process of communication and engagement. The feedback from these processes strengthened the report and its overall credibility.

The report represents a valuable resource for the future. It provides clear guidance on the issues the Commission considers should be addressed in the future and the focus that will be required in addressing these issues.

#### *Possible areas for improvement*

In any report of this nature the Commission clearly needs to exercise judgement regarding the overall positioning of its final report. A characteristic of this Inquiry is its broad scope which includes

a wide number of influences and the complex interactions between them. The Inquiry also faced a particular timeline for its completion. Moreover the Inquiry was taking place at the same time as the Commission was being established.

The comments I make regarding possible improvements centre on whether the Commission's report could have been improved through further and/or different analysis; whether the Commission could have provided greater direction in relation to future work; and whether sufficient emphasis was placed on considering the factors necessary to bring about future change. Specific areas for possible improvement include:

- Process

The Inquiry was very broad in its scope. If time had permitted, a two-stage approach may have had merit. The first stage would be similar to the one taken in this Inquiry.

The first stage would then inform a second stage that involved a deeper exploration of the small number of key influences identified. This would have possibly allowed for more consideration to be given to ways in which the availability of land could be made more responsive to demand conditions; the role played by a variety of institutional arrangements, factors causing the low productivity of the building industry and the provision of social housing.

- Recommendations

Recommendations flowed from the specific chapters and cumulated in a relatively large number of recommendations. The recommendations tended to identify areas where more work should be undertaken - for example identifying areas for further review.

The risk with more passive recommendations is that, while they may be actioned, if problems are still being viewed through old lenses rather than new ones, little effective change may result. I consider that the recommendations could have provided stronger direction by:

- Differentiating the recommendations according to their relative priority and/or in relation to their potential impact on future outcomes
- Advising on how future work should be framed in relation to key questions that need to be addressed.

This would, for example, help identify where new approaches might need to be considered and the possible nature of such approaches

- Analysis

The analysis undertaken was robust and led logically to the Inquiry's conclusions.

In some areas though, some deeper analysis of the underlying causes of current inefficient practices seemed warranted. Some possible ways in which the analysis in the report may have been improved could have included:

- Modelling that provided a greater quantitative assessment of the potential welfare and productivity gains that could be achieved over time through reform
- Greater comparative analysis

The low productivity of the building industry was made clearly evident. Given the importance and size of this industry, it would have been useful to see more analysis relating to:

- Why this is the case?
- What factors have made the New Zealand industry much less productive than its counterpart in Australia?
- What seem to be the keys to significantly changing the performance of this industry?

Auckland clearly is at the heart of many issues relating to affordable housing. A comparative analysis of Auckland with some similar size cities in other countries could have provided additional and interesting insights.

- Evidence

A wide range of evidence was used to inform the report. Each chapter in the main report was relatively self-contained. The “Cut to the Chase” and summary reports both mirror the main report in terms of structure and in clearly communicating the core essence of the main report.

I considered that new or different insights may have been obtained from drawing out common themes that run across the different chapters and considering these in an overview chapter. This would have enabled cross cutting perspectives to be drawn out relating to areas such as

- Auckland, its performance and its dynamics
- Considering possible new approaches to the provision of social housing within a wider social policy and urban development framework
- Ways in which more scale might be obtainable in relation to land availability and housing construction
- How the structure of the building industry might be best changed
- The implications of the current multiple areas of institutional arrangements impacting on housing. This could have given consideration to the future possible institutional arrangements and relationships that might be necessary to achieve a significant lift in outcomes over time.

## **Specific Comments**

### ***Deep Knowledge***

The report brings together information from a wide range of sources. This includes trends relating to:

- The housing market
- Macroeconomic influences on the housing market including international factors
- Population and demographic trends and influences
- Planning processes
- Productivity and performance information relating to the construction industry
- Maori housing
- Social housing
- Feedback from consultations

In interpreting this information a considerable body of research, evidence and feedback from submissions is drawn upon. This is generally done in ways that present an informed and understandable picture of what is driving the outcomes, including the roles played by different sectors, and the influences in shaping these outcomes.

I thought the information provided was comprehensive. It enabled key issues to be identified and focused on. It provided a strong and relevant basis for the analysis that was undertaken.

The report was careful to bring out the breadth of influences and the complex interplay between some of these.

- Macro dynamics and drivers

The report clearly shows the exposure of the New Zealand housing market to global forces and how this was a major force behind the recent housing boom. For example, it was able to demonstrate that the New Zealand experience over the past decade was not out of line with the experiences of other OECD countries.

The price of land was clearly identified as a significant component of housing costs. This in turn, highlighted the importance of the supply of land for housing increasing when demand and prices were under pressure, as an important factor in determining the extent of any lift in prices.

The report provided evidence that the responsiveness of housing supply in New Zealand to increases in demand, while average in OECD terms, is about half that of better performing economies. This meant that increases in the demand for housing in New Zealand are likely to lead to proportionally larger increase in prices than would be the case in a number of other countries.

- Impacts associated with different population groups

The report provides a comprehensive picture of the population and demographic trends as they affect the housing market. This identified important influences such as New Zealand's comparatively faster population growth; the aging of the population; the impacts of immigration; and the different preferences for housing amongst the population.

This data informed several different aspects of the Inquiry's report, namely:

- The growing population of Auckland with all of the associated pressures on housing – both in terms of overall demand, diversity in that demand, and the consequences for affordability
  - The increases in demand for rental accommodation that could in part be explained by some changes in the preferences of people and only be partially explained by trends in housing affordability
  - Trends towards the building of larger homes and implications of this for prices and affordability
  - Housing demands that are specific to Māori
- Measures of affordability

The evidence relating to housing affordability is obviously crucial to the whole Inquiry. The report recognised that this was not a simple measure. For example, increases in the cost of houses have been offset to at least some degree by lower interest rates. As the housing boom has eased, housing affordability has improved. However the report also clearly shows how average measures mask the impacts on some groups. The report identifies that affordability is lowest amongst those who are young, have low incomes or are of non-European ethnicity.

- Sector performance

The local government sector and the construction industry have a considerable impact on the provision of housing supply, its affordability and productivity.

The evidence presented - both statistical and anecdotal - identified a number of characteristics of current performance that clearly demonstrated the potential for significant improvement.

The empirical base used by the Commission is critical to both the analysis subsequently undertaken and the conclusions reached.

I found the data and evidence presented comprehensive and credible.

The evidence:

- Provided a good view of the trends and the influences associated with these trends
- Highlighted key questions which in turn highlighted the areas where the Inquiry needed to be focussed as a matter of priority rather than simply interest
- Provided a balanced and considered assessment as to its interpretation
- Went behind the aggregate numbers to recognise different components of demand and supply and to inform assessment of the causal influences
- Was assessed in ways that recognised in some cases that information could be interpreted in different ways
- Presented feedback from submissions in ways that were balanced and careful about the conclusions drawn from that evidence

This all added up to a picture of the report being underpinned by a very good information base that also included good institutional knowledge of the processes of planning, construction and delivery. The processes of providing an Issues Paper and inviting submissions provided added confidence in this evidence base.

#### *Scope for possible improvement*

Two ways in which the report might have been strengthened are:

- Assessing future impacts

The reports provide clear evidence relating to past and recent trends. However future decisions could be better assisted through greater use of stylised forward projections that provide a more quantitative assessment of future impacts. These would not be forecasts but more in the nature of scenarios that enabled the scale of future impacts under different assumptions and strengths of future influences to be tested in terms of their possible effects on outcomes.

Chapter 2 (Pages 47 and 48) stated

*Going forward it is difficult to predict the likely balance between the fundamental drivers of demand, the supply responsiveness of the land development and construction sectors and the associated house price and tenure dynamics*

The discussion then centred on several possible scenarios that illustrated some of the possible outcomes associated with different assumptions. I considered such an approach was a good way to inform judgements about possible future consequences and impacts. Such an approach could have been used more extensively in the report.

For example:

A “Key point” in Chapter 5 highlighted a projection from the Department of Building and Housing that there will be a shortfall of around 90,000 dwellings in Auckland over the next 20 years. Clearly, if realised, this would have a negative impact on affordability, but some quantification of the size of the potential impact would have helped to inform the scale of the potential problem.

Chapter 7 of the Commission’s report clearly identifies the influence of urban limits especially in Auckland. A more quantitative assessment of the impacts on affordability of a relaxation of the current urban limits could have been useful. Without having some sense of the amount of land that might be freed it is hard to assess from reading the report the extent to which a relaxation is more equivalent to a one off supply shock, or whether sufficient land over a 10 to 20 year period could be released in ways that would significantly change the dynamics of the Auckland housing market.

- Assessment of institutional arrangements and capability

Each specific chapter provides a sound understanding and description of the current institutional arrangements relating to planning, regulation and social housing and how they work. The processes are well described as are their inefficiencies.

The report, both directly and indirectly, highlights the important role a number of key institutions play. These would include local government, Housing New Zealand, the Department of Building and Housing, the Ministry of Social Development and community housing organisations.

Some assessment of the overall focus, roles and alignment of these organisations to housing outcomes may have been useful. This would have helped inform assessment as to how such arrangements might be improved in order to achieve better future outcomes. Such a focus would be consistent with improving public services and in terms of considering ways in which local and central government and public and private sector arrangements might be made more effective through better alignment.

### ***High Quality Evidence-based Analysis***

The structure of the report provides a sound and logical framework to approach the Inquiry. Each chapter has a clear relevance to the purpose of the Inquiry.

The report starts with chapters on the broad macro picture and context, what defines affordability and population and demographic trends impacting on housing demand. These first few chapters provide a good context for the more in-depth considerations and assessments of more specific areas in subsequent chapters – taxation, urban planning, infrastructure, regulation, building industry, rental housing, social housing and Māori housing.

Each chapter follows a clear framework that includes:

- Background

Context and background relevant to the chapter is provided. For example, the chapter on Urban Planning starts by providing background on what urban planning is and how it has been approached in New Zealand.

- Data and trends

Information that is relevant to the chapter is then summarised with the implications for affordable housing identified and assessed. For example, the chapter on rental housing provides evidence relating to the demand for rental accommodation, the changing composition since 1996 of the relative wealth of those renting, the proportions spending more than 30% of their income on rent and the quality of rental accommodation.

- Analysis

Issues are analysed in ways that look to identify the barriers or possible impediments that exist and are likely to prevent improved outcomes. For example, the chapter on the building industry highlights the low productivity of the sector in relation to the Australian industry. It

attributes this in part to the fragmented nature of the New Zealand industry, its smaller scale, and the way land is made available.

- Recommendations

Each chapter then ends with a set of findings and recommendations that flow from the analysis. For example, the chapter on Māori housing concludes with seven findings and five recommendations.

Each chapter comes across as informative and relevant. Judgements about causal influences flow logically from the evidence and its analysis. This analysis is informed and supported by feedback from submissions.

The chapters provide a reader with an overall sense of the importance and priority that should be given to a particular area in terms of future work and effort. For example, the chapter on taxation makes clear that tax policies can affect on decisions to invest in housing but concludes that tax policies should be driven by much broader considerations than housing affordability. In the case of infrastructure the report concludes that while the issues are important, and notwithstanding the fact that practices vary across the country, the evidence is not clear that this is a significant problem. On the other hand the chapters on planning, regulation, industry, social housing and Māori housing all pointed to significant issues impacting on productivity and affordability.

The chapters highlighted the complexity of the issues involved. For example, the chapter on social housing recognised that housing is just one of the important elements in relation to social wellbeing that also need to encompass health, education, employment, community and cultural outcomes. The chapter on urban planning, in recognising its importance to housing outcomes, acknowledges its wider focus on a much broader range of community and regional outcomes. Housing quality was recognised as an important issue – especially for the rental market - and needed to be seen as a qualitative aspect of affordable housing.

On the positive side, the report brought together a wealth of information and understanding. Its analysis led logically to the identification of issues that are important to future productivity and affordability.

For example the analysis in the report highlighted some major issues that included:

- Housing affordability is a major and growing issue for a growing proportion of the population. The Inquiry suggested that, for a significant and growing number of New Zealanders, home ownership may not be a realistic option
- There are very significant longer term fiscal implications that would flow from housing becoming less affordable over time
- Considerable scope exists for improvements to urban planning, housing regulation and the structure and capability of the industry that could all contribute to significant improvements in productivity
- Social housing and Māori housing are areas where considerably better outcomes are needed and are possible.

In doing this, the report identifies the priority areas where attention and effort need to be directed. In this respect the advice of the Commission seems clear and unequivocal.

### *Scope for possible improvement*

There were several areas where it may have been possible to extend the analysis in the report.

The comments in this section in part pose questions about the imperative for future action. This concerns judgements about the potential benefits that would be associated with reform and the means by which such benefits might be best realised. To have done this well would have required some deeper assessment of underlying causes and a greater understanding of the nature of the changes that would be required.

Areas where improvements seemed possible included:

- Quantifying the potential gains from reform

The analysis in the report provides sound problem definition. It highlights the key areas that need to be a priority for future work and clearly establishes that New Zealand is some distance from an ideal position.

The report though hedges its views to some degree by recognising that the smaller scale of New Zealand and the interplays between different influences could explain apparent inefficiencies. It would have been helpful to have had some quantifiable assessment (realistically in broad terms) informing a more explicit judgement about the potential scale of the wider economic and social benefits that could be gained from effectively tackling the issues identified in the report.

- Affordability and productivity

Affordability is a relative concept, involving, for example, the relationship between cost and income. Lifting productivity is vital to lifting incomes and to improving affordability from this perspective.

The report was stronger on the cost side. Some greater emphasis might have been given to the importance of social interventions not only supporting access to affordable housing but also to building the income earning potential of people.

- Auckland economy

Auckland issues run right through the report. The complexity and interplay between these issues is recognised.

Effective responses to the issues evident in Auckland may need some sharp choices to be confronted relating to implications for New Zealand's largest, fastest growing and most productive city; and the realities of an urban infrastructure that works against greater urban intensification and the nature of its population.

These all suggest that some different ways of thinking and approaching some of the issues raised in the report may be required. Some comparative analysis with similarly sized cities in other countries could have provided useful and deeper insights.

- Building sector

Clearly we have a fragmented and low productivity building industry. Overcoming this seems critical to better outcomes. The report recognises this but also suggests that this might also be a reality of the size and the nature of this market. This seems an important issue to understand in more depth.

Questions that lead to deeper understandings as to why the industry structure has developed this way seem vital. Why is New Zealand so different? What would be required to get scale? What would be the keys to achieving this?

- Institutional Considerations

There are a large number of institutions – public and private sector- involved in the supply and management of housing. The effectiveness of institutional arrangements and their capabilities would seem to be a very important issue. Greater assessment of these would have been warranted.

### **Workable Advice**

The report clearly identifies areas that need to be given priority if housing outcomes are to be improved. These include urban planning, the regulation of building, the structure of the industry, social housing and Māori housing. Within those areas more specific priorities for attention are identified.

The report has been well informed by good and open processes that have provided sound practical understandings of current practices and the experiences with them.

However the focus though of the Inquiry was more centred on identifying the influences having the greatest impact on housing outcomes. The breadth of, and the timeframe for, the Inquiry probably limited the ability to extend to a more thorough assessment of the ways in which change might be achieved.

### *Possible areas for Improvement*

Looking at the report as a whole there are a large number of recommendations. A number of the recommendations identify areas for future work and then recommend reviews or further work to be undertaken. It would have been valuable if more direct advice had been provided on the sequencing and urgency of future work.

In such an assessment it would be useful to have considered whether some quite different approaches could be required, as opposed to improvements to existing processes. This clearly seems to be the case in areas relating to social housing but may also be required if the building industry is to achieve the benefits of greater scale and land for housing is to be released in more responsive ways.

The report would have benefited from a stronger focus on providing advice concerning the ways in which greater and more effective leverage could be achieved to bring about positive changes in some key areas. This might have included how a number of different institutions could be better

aligned and focussed. For example, greater consistency of regulation and practice across local and regional government sectors in the area of regulation.

### **Skilful Communication**

The final report was very readable. It contained and conveyed a lot of information. In doing so it conveyed a sense of authority and understanding.

While accessible it did not simplify or suggest that the solutions were straight forward or without trade-offs.

The report presented a broad picture of the wide range of influences on housing affordability and their interplay across different areas of policy and different sectors.

The main report was condensed down well to the summary report and then to the “Cut to the Chase” report.

The recommendations flowed logically from the evidence and analysis.

As a result of this report, the public and policy makers will be much more knowledgeable and be better informed about the ways that housing affordability can be improved.

#### *Scope for possible improvement*

- Recommendations that were sharper and provided a clearer sense of their relative priority and impact
- Providing a cross cutting perspective that complements the specific chapters. This would bring together issues such as those relating to Auckland or the building industry.

By doing so, this could have not only provided additional insights but could have shaped advice relating to how the recommendations in the report could be best actioned.

- Advice on change process

While the report is addressed to Ministers there are some clear challenges provided to local government and to the building industry sector. Some more explicit challenges to these sectors and their leadership could help to strengthen expectations and responses.

- Are there some unpalatable truths?

I thought the report identified some possible future realities such as the possibility of a growing number of people who may never be able to afford to buy a home. Facing up to such possibilities more explicitly may be an essential part of any process to find new solutions.

- The focus of future debate

The reports are informative and create an important and useful foundation for moving ahead. This is evident in the interest in the report amongst the public and reports in the media.

A question for this and future reports centres on the extent to which the Commission could be, or even should be, more deliberate in framing debates on the areas or future possibilities that are important to improving long term outcomes.

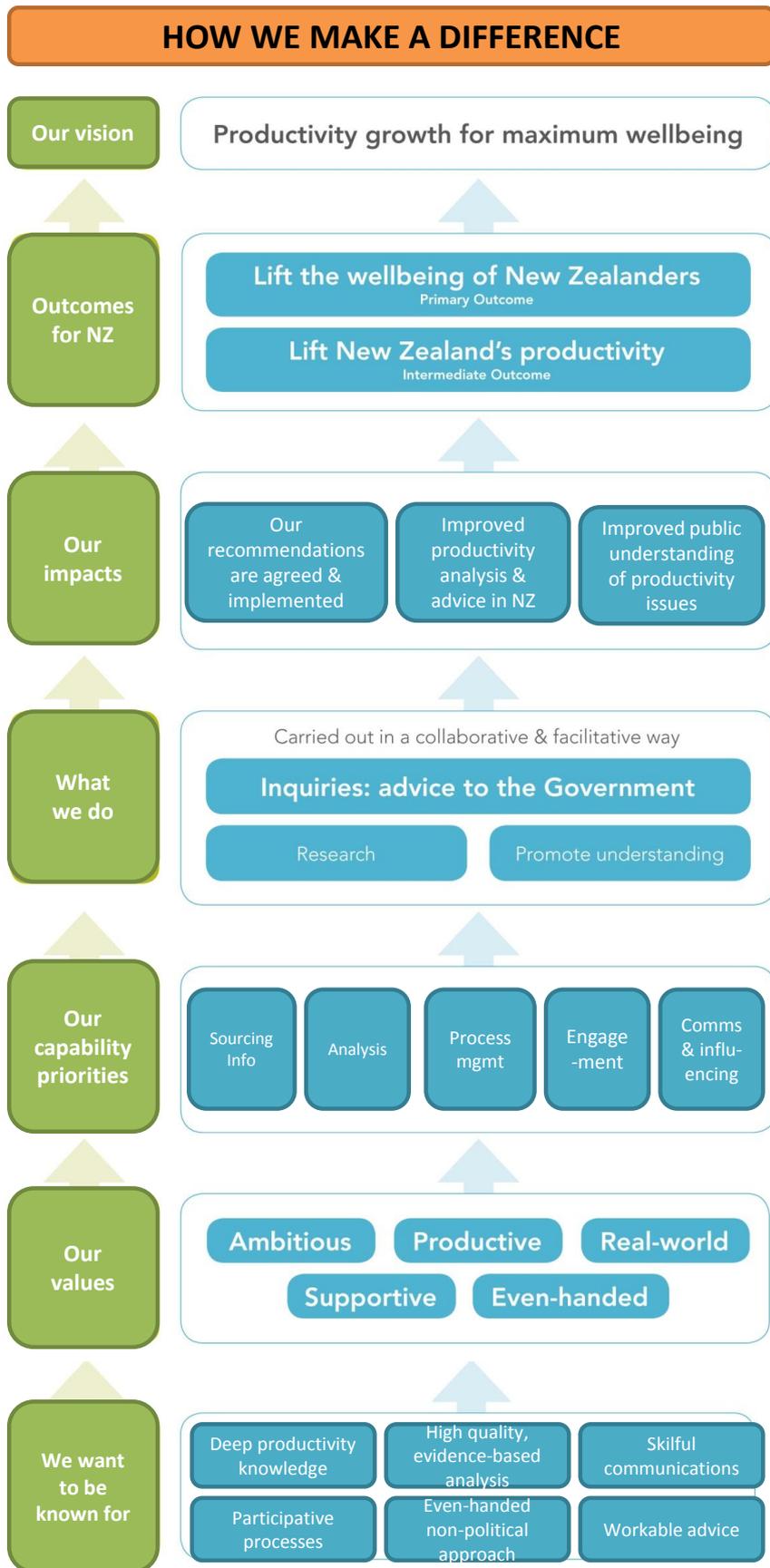


<b>Approver/Sponsor</b>	Peter Alsop, General Manager	
<b>Date agreed</b>		
<b>Completion date</b>	To be agreed, but no later than 30 April 2012	
<b>HOUSING AFFORDABILITY INQUIRY</b>		
<b>Purpose</b>	Undertake an independent expert evaluation of the Commission's performance on the inquiry.	
<b>Context</b>	An independent expert evaluation of the Commission's performance on an inquiry is a key component of the Commission's performance measurement for inquiries, and a further way of identifying how the Commission can improve its performance.	
<b>Scope</b>	<p>Undertake an evaluation of the Commission's overall performance on the Housing Affordability inquiry, based on the final inquiry report, focusing particularly on;</p> <ul style="list-style-type: none"> <li>• the relevance and materiality of the final inquiry report;</li> <li>• the quality of analysis of information in the final inquiry report and the quality of the report's findings and recommendations; and</li> <li>• The effectiveness of the Commission's engagement and delivery of message, as evidenced in the final inquiry report, summary report and "cut-to-the-chase" summary.</li> </ul>	
<b>Deliverable</b>	A report summarizing the independent expert evaluation, in the key areas of scope above, which the Commission can publish or quote in reporting its performance (such as in any inquiry assessment the Board may publish, or in the Annual Report), and use to improve its performance.	
<b>Approach</b>	<p>Evaluate the Commission's performance based on a review of the final inquiry report and, where necessary, discussion with the Inquiry Director, Communications Advisor, General Manager or Chair.</p> <p>You are not expected to be an expert on the subject matter of the inquiry, but rather to use your experience and judgement of developing and presenting advice to Government.</p> <p>We anticipate the evaluation and writing your report should take about 3 working days.</p>	
<b>Key milestones</b>	Review of the final report and development of evaluation report	To be agreed, but as soon as possible
	Draft evaluation report provided to the Commission for comment	To be agreed, but no later than 24 April 2012

	Final evaluation report provided to Commission	To be agreed, but no later than 30 April 2012
<b>Key references</b>	Housing Affordability Inquiry final report, summary report and “cut-to the-chase” summary Productivity Commission performance framework and inquiry performance measures	



Productivity Commission performance framework (proposed)



# Proposed measures of inquiry outputs and impacts

## Context

This section sets out performance measures for the Commission’s inquiry outputs and impacts.

The focus of the measures for 2012/13 is on the Commission’s inquiry work as these make up about 90% of the Commission’s budget. Measures for non-inquiry research and other activities will be developed in future years as these roles develop. The Commission will also be giving further consideration to capability measures.

Targets for each performance measure will be set at a later stage using one of two approaches: (1), if possible, an evidence-based target based on benchmarking off other (‘similar-enough’) agencies, such as the OAG, LawCom, PCE, APC; (2) using the PC’s first year performance as the performance benchmark to improve on over time, such as with reference to long term trends. While open to feedback, the PC does not at this time support setting ad-hoc/arbitrary targets without evidence to support them.

Note that some performance measures are only partly influenced by the Commission; they are also a useful measure of general level of interest in an inquiry topic.

Indicator	Metric	Target	Data source
<b>Impacts</b>			
The Commission’s recommendations are agreed and implemented	Percentage or number of recommendations agreed Percentage or number of recommendations implemented  [The Commission recognises that this measure may create the risk of a perverse incentive to only recommend actions that can easily be implemented. However, this risk is mitigated by a measure of how challenging the Commission’s recommendations are - see ‘high quality work’ below]	Tbc (X% or X#)	Review of Cabinet minutes Follow-up with implementing agencies
Improved productivity analysis and advice in NZ	Percentage of inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>The inquiry helped set or lift the standard in NZ for high quality analysis and advice on productivity issues</li> <li>As a result of the inquiry, future work will be better focussed and use resources more effectively</li> </ul> <i>(Scale: Strongly disagree, Disagree, Agree, Strongly agree, Don’t know)</i>	Tbc(X%)	Survey
Promotion of public understanding of productivity-related matters	Percentage of inquiry participants surveyed who considered that the inquiry had increased their understanding of the following at least a moderate amount: <ul style="list-style-type: none"> <li>The inquiry increased their understanding of [the subject of the inquiry]</li> <li>The inquiry increased their understanding of the importance of productivity more generally</li> </ul> <i>(Scale; Not at all, A little, A moderate amount, A lot, A great deal)</i>	tbc(X%)	Survey
<b>Outputs</b>			
<i>Right focus</i>			
Relevance and materiality of final inquiry reports	Percentage of inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>The Commission sourced all relevant research and information</li> <li>The Commission engaged with the right people</li> <li>The final report focussed on the issues most significant to [the inquiry topic]</li> <li>The final report went into sufficient depth on the issues it covered</li> </ul> <i>(Scale: Strongly disagree, Disagree, Agree, Strongly agree)</i>	(X%)tbc	Survey

Indicator	Metric	Target	Data source
<i>Good process management</i>			
All inquiry issues papers, draft reports and final reports are delivered to schedule	All external milestones communicated in the Commission's inquiry process plan are achieved	tbc	Administrative data
Participant satisfaction with the inquiry process	Percentage of inquiry participants who agreed or strongly agreed that overall, they were satisfied with the Commission's inquiry process <i>(Scale: Strongly disagree, Disagree, Agree, Strongly agree)</i>	(X%) tbc	Survey
<i>High quality work</i>			
Participant confidence in the Commission's inquiry findings and recommendations	Percentage of inquiry participants survey who considered the following aspects to be good or excellent quality: <ul style="list-style-type: none"> <li>▪ The inquiry's analysis of information</li> <li>▪ The findings and recommendations</li> </ul> <i>(Scale: Poor, Not acceptable, Acceptable, Good, Excellent)</i>  Percentage of participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>• The Commission's recommendations followed logically from the inquiry analysis and findings</li> <li>• The Commission's recommendations struck the right balance between suggesting change and avoiding making change for change's sake</li> </ul> <i>(Scale: Strongly disagree, Disagree, Agree, Strongly agree)</i>	(X%) tbc	Survey
<i>Effective engagement</i>			
Participant perception of the quality of engagement by the Commission	Percentage of inquiry participants surveyed who agreed or strongly agreed that <ul style="list-style-type: none"> <li>▪ There was ample opportunity to participate in the inquiry</li> <li>▪ The Commission was approachable</li> <li>▪ The Commission communicated its views clearly</li> <li>▪ The Commission understood their views</li> </ul> <i>(Scale: Strongly disagree, Disagree, Agree, Strongly agree)</i>	(X%) tbc	Survey
<i>Clear delivery of message</i>			
Participant perception of the effectiveness of the Commission's presentation of inquiry findings and recommendations	Percentage of inquiry participants surveyed who agreed or strongly agreed that: <ul style="list-style-type: none"> <li>▪ The summary material provided was useful</li> <li>▪ The findings and recommendations were clear</li> <li>▪ The style of writing and language used in the report was clear</li> </ul> <i>(Scale: Strongly disagree, Disagree, Agree, Strongly agree)</i>	(X%) tbc	Survey
<i>Overall performance</i>			
Independent expert evaluation of the overall performance of the inquiry	An assessment of the overall performance of the inquiry from the final inquiry report (taking into account the focus of the report, process, analysis, engagement and delivery of message).	tbc	Independent expert peer review

