

MARLBOROUGH DISTRICT COUNCIL
15 SEYMOUR STREET
PO BOX 443, BLENHEIM 7240
NEW ZEALAND

TELEPHONE (0064) 3 520 7400
FACSIMILE (0064) 3 520 7496
EMAIL mdc@marlborough.govt.nz
WEB www.marlborough.govt.nz



**MARLBOROUGH
DISTRICT COUNCIL**



Only Marlborough

File Ref: E001-010-15
Ask For: Alistair Schorn

31 May 2019

The General Manager
New Zealand Productivity Commission

Issues Paper on Technological Change and the Future of Work

Dear Sir

Attached for your information please find a submission collated by Marlborough District Council on behalf of the Marlborough community, regarding the Productivity Commission's Issues Paper on ***Technological Change and the Future of Work***.

We look forward to further engagement with the Commission regarding this critical issue.

Yours faithfully

ALISTAIR SCHORN
ECONOMIC DEVELOPMENT ADVISOR

Productivity Commission Issues Paper on *Technological Change and the Future of Work*

May 2019

Marlborough Submission

Background

This submission has been collated by the Economic Development division of the Marlborough District Council (hereafter MDC) on behalf of the Marlborough community.

The submission is based in part on activities undertaken by the *Marlborough Smart+Connected Labour and Skills* initiative. This programme was established in Q1 2019 in response to an identified requirement for a multi-industry, cross-sector approach, that could effectively address an increasingly significant set of challenges related to current and projected labour and skills shortages, slow productivity and wage growth, reforms in the provision of vocational and tertiary education, and uncertainties regarding the future of work in the region.

With regard to the Productivity Commission's Issues Paper document entitled *Technological Change and the Future of Work*, the following points are of relevance from Marlborough's perspective:

- The four scenarios developed for the consultation process regarding the future of work appear to be insufficient in their scope, in that they do not specifically include a scenario in which technology change serves to alleviate current or future labour shortages. Under such a scenario, the emergence of technologies that reduce dependence on labour in certain roles or functions, would be focused primarily on those roles in which there exists a current or projected labour shortage. This would in turn allow for a situation in which individuals currently operating in these roles can be transitioned into similar or complementary roles, that are not as susceptible to job losses as a result of technology.
- Such a scenario would represent an optimum situation for Marlborough, given the ongoing and chronic labour shortage that exists in the region, as well as the rapidly ageing nature of the region's population. In this regard, according to the MBIE short term employment forecast 2017-2020, employment is set to grow by 2% on average across New Zealand by 2020, but by 3.4% in Marlborough. Furthermore, according to the Statistics New Zealand data from the 2013 Census:
 - More than 20% of Marlborough's population in 2013 was over the age of 65, compared to New Zealand average of 15%. The emerging workforce (aged 15 to 24) comprised 9% of the region's population, compared to the national average of 15%.
 - Latest reports from Infometrics project that from 2018 onward, approximately 1,000 people per annum will exit the working age population (aged 18 to 65), compared to a total population increase in the region in 2018 of only 400 people (comprising both natural increase and migration).
- According to information received from Statistics New Zealand, Marlborough's official unemployment rate for 2018 was 2.8%, as against the national average of 4.6%. Traditional economic theory suggests that unemployment levels close to 4% represent theoretical full employment, as all populations retain a residual element of the working age population that for a variety of reasons, remain outside the workforce. These statistics serve to highlight Marlborough's requirement for scenarios and solutions that reduce the region's dependence on labour that for the most part, is simply not available.
- Furthermore, New Zealand's economy as a whole continues to create employment opportunities at a rate greater than what these can be filled by natural growth and migration. This would suggest that a significant (and growing) requirement exists for labour-reducing technologies. As a result, the

emergence of such technologies should be considered primarily as a solution to labour shortages, rather than a threat to existing employment opportunities.

- At the same time, Marlborough, along with the Top of the South Region, consistently exhibits lower levels of both productivity and earnings than the national average. This would suggest that significant opportunities exist in the region to unlock productive capacity and raise both earnings and wellbeing. The levers to unlock these benefits would appear to lie in some combination of appropriate skills development, local and international migration, and technology developments that reduce labour intensity in the region's current and future anchor industries.
- There would appear to exist a number of tensions between various current policy objectives in New Zealand. These include economic policy, particularly as it relates to relative levels of emphasis on the promotion of primary, secondary and tertiary industries, as well as labour market and immigration policies, and education and academic sector policies. In order to effectively manage the potential impact of technological disruption, it is critical that these policy tensions are resolved and trade-offs managed in a manner that enhances rather than diminishes the potential for positive effects for the country, both in pure economic and in wellbeing terms.
- With regard to the anticipated rise in the use of independent contractors and similar non-permanent or productivity-based models of engagement between corporations and individuals, it would certainly appear that significant scope exist for the development of alternative contracting models, that sit between completely independent service providers on the one hand, and traditional full-time employees on the other. The precise nature and scope of these contracting models remains at this point unclear, but institutions such as the Department of Labour, MBIE, the Productivity Commission, local government structures and Economic Development New Zealand all appears to occupy a favourable position in terms of playing a role in their future development.
- Given the national situation as described, above, in terms of chronic labour shortages, an ageing population and an increasing rather than declining trend in the number of available employment opportunities, it would appear unlikely that the New Zealand economy will in the short term require the development of interventions such as Universal Basic Income, even in scenarios of significant technological disruption to existing employment opportunities. Instead, it would appear that a priority for Central Government funding should be investment in education reform, retraining and other skills development interventions.
- In this regard, the various education sector reforms currently underway, including the *Tomorrow's Schools Review* and the *Reform of Vocational Education* consultation process, are of critical importance. A successful execution of pragmatic and appropriate reforms in the education sector will contribute significantly to the development of an agile, appropriately skilled workforce, that is well-positioned to deal with the impacts of potential technology-based disruptions in New Zealand's labour market.
- With regard to occupational regulation, it would appear that in one sense, roles that require significant investment in education, or that are accompanied by significant requirements for occupational regulation, might to some degree be insulated from the disruptive effects of technological development, or might exhibit opportunities for the deployment of supporting technology. At the same time, however, it would appear that an opportunity exists for easing regulatory barriers to entry into certain occupations, for example through the implementation of mechanisms related to Recognition of Prior Learning or similar structures.
- As indicated above, immigration policy appears to be an area that is subject to significant levels of political contestation. Given the chronic skills shortages that exist in certain regions and occupations, however, it would appear that international migration will and should remain a significant element

within the mix of solutions for New Zealand's labour, productivity and skills challenges. At the same time, however, it is of course imperative that employers, academia, the corporate sector, central and local government and the social support sector all collaborate effectively to maximise labour market outcomes for New Zealanders.

- The area of skills matching appears to be one in which significant opportunities exist for improving processes and practices at both national and regional level. This area has been identified as a priority for the *Marlborough Smart+Connected Labour and Skills* programme, and a number of targeted local interventions will be developed in this field over the next 6-18 months.
- In the area of funding and support for applied and industrial research and development, significant opportunities appear to exist for increases in the levels of both public and private sector funding into the research environment. According to Statistics New Zealand's **Research and Development Survey**, in 2018 New Zealand's R&D investment as a proportion of GDP was 1.4%, as against the OECD average of 2.3%.
- Such R&D support might take a number of forms, including direct expenditure by Central Government, or increased availability of financial support or incentives to the private sector. In this regard, various potential reforms within the national taxation system might serve as an effective stimulus measure to promote increased levels of investment by the private sector in R&D activities.
- In a number of industries, particularly in the primary sector, significant barriers appear to exist to both investment and competition. In a number of instances, these barriers appear to be primarily historic in nature. They also appear to be exacerbated and/or perpetuated by the limited size of New Zealand's domestic markets. This would in turn suggest that a number of opportunities exist to promote the international competitiveness of various sectors of the New Zealand economy, through the application of pragmatic strategies to attract foreign investment into these sectors.
- Similar opportunities would appear to exist with regard to technology transfer into New Zealand, once again through the promotion and/or facilitation of foreign investment that can increase the capacity of the local economy to absorb such technologies. By the same token, the international dispersal of locally developed technological solutions, including through multinational firms represented in New Zealand, represents a significant opportunity for enhancing foreign exchange earnings.