OECD's 2017 Economic Survey of New Zealand

This table presents and responds to every recommendation in the OECD's 2017 Economic Survey of New Zealand.

2017 recommendations

OECD recommendation	Government comment
Making growth more sustainable and greener	
Add a debt-to-income limit to the Reserve Bank's macroprudential instruments to increase the resilience of bank balance sheets, with attention to benefits exceeding costs.	The OECD's recommendation is consistent with the Government's position that a debt-to-income limit should be considered after a cost-benefit analysis is completed and consultation conducted. That consultation is currently underway.
Gradually reduce net public debt in line with the government's fiscal strategy. Increase spending that enhances well-being and reduce taxes within the constraints of this strategy.	The OECD endorses the Government's fiscal strategy to reduce net public debt. The 2017 Budget was consistent with the OECD's recommendation to increase investment and reduce taxes as fiscal conditions permit.
Bring forward [the age of eligibility for Superannuation] increase, lengthen the transition period, and then index the pension age to life expectancy.	The Government's view is that 20 years' notice of the change to the age of eligibility balances long-term sustainability with the need to give adequate warning to current generations of working New Zealanders.
Develop a long-term vision for a transition towards a low-carbon, greener economy. Introduce pollution charges or cap-and-trade measures. Expand water trading and pricing to ensure scarce water goes to its best use.	The Government has asked the Productivity Commission to review how New Zealand can maximise the opportunities and minimise the costs and risks of transitioning to a lower carbon economy. The Commission will report back by 30 June 2018. A technical advisory group is working on how New Zealand can better allocate fresh water and will be reporting back to Government by the end of the year.
Increase the price of carbon to a level consistent with New Zealand's intended transition to a low-carbon economy. Adopt alternative pricing or regulatory measures to reduce biological emissions. Support research in new mitigation technologies, especially for farming.	The New Zealand price of carbon has increased from just $1.45 per tonne four years ago to $16.60 per tonne today. We are in the process of reviewing our Emissions Trading Scheme to ensure it creates the right incentives to reduce emissions and meet our 2030 target. The Government is investing significantly in research to mitigate emissions from the agricultural sector. The Government has asked the Productivity Commission to investigate the most cost-effective way for New Zealand to transition to become a low carbon economy.
Intensify protection of species by continuing to develop a National Policy Statement on biodiversity.	This is consistent with the aim of the Department of Conservation's draft Threatened Species Strategy released last month which sets out a course to a safe, secure future for our native species by building on existing

	programmes and commitments, and focusing on partnerships with iwi, communities, landowners, philanthropists, and councils. The Predator Free 2050 initiative will fund regional large-scale predator eradication programmes and invest in scientific research with the goal of ridding New Zealand of possums, rats and stoats by 2050.
Consideration should be given to strengthening New Zealand's institutional framework in [assessment of opposition parties' proposals], possibly by allocating that responsibility to an existing agency, such as the Treasury. Another option, which might enhance the perception of independence of the evaluations, would be for a new fiscal council to provide such cost estimates, as is done by the Parliamentary Budget Office in Australia and the Central Planning Bureau in the Netherlands.	The Government does not oppose reviewing New Zealand's institutional frameworks but does note that the Treasury has been assessed through a 3rd-party review, and confirmed by the OECD, as having "operational independence in forecasting and policy analysis, and that New Zealand has highly regarded strict fiscal accounting and transparency requirements." (OECD, 2017 quoting Ter-Minassian, 2014).
Improving productivity	
Progressively narrow screening of foreign investment. Continue to reduce compliance costs and boost predictability for investors.	The Government has a current programme to reduce compliance cost and boost predictability for investors of the current screening regime. However, the Government does not consider significantly narrowing the scope of the regime is likely to yield strong productivity benefits. Most applications made under the screening regime are approved and feedback from investors suggests factors such as market and deal size are more important in shaping investment decisions.
Reform trade facilitation through improving information availability, making more extensive use of advance rulings, expanding acceptance of copies of documents and improving multilateral border agency co-operation.	The Government's new trade strategy, Trade Agenda 2030, modernises New Zealand's trade policy and affirms New Zealand's commitment to international economic integration. It received over $90 million in funding as part of Budget 17. Trade Agenda 2030 commits the government to deliver on the benefits of economic integration for our exporters, including signing high value FTAs and deepening existing high-value agreements. It will take a more coordinated approach to addressing Non-Tariff Barriers (NTBs), a key priority for exporters.
Waive rules-of-origin requirements for trade between New Zealand and Australia on all items for which tariffs in both countries are at 5% or less, and reduce any tariffs above 5% to that level.	New Zealand and Australia have simplified Rules of Origin criteria under the CER agreement through two recent reviews. Further consultations with stakeholders suggests that compliance costs associated with these rules are not posing a substantial problem for

	businesses. This is a complex issue, which the Government will continue to monitor.
Enhance councils' incentives to accommodate growth, for example by sharing in a tax base linked to local economic activity. Apply user charging more broadly for infrastructure, including congestion charging.	The Government is working with councils on the incentives and disincentives to enable growth, and the tools they have to manage and deliver growth. Efficient pricing of infrastructure, including congestion charging as part of an overall transport funding policy, is also being investigated in Auckland.
Pursue further options to broaden funding for infrastructure, including targeted property taxes that capture increases in land value from the provision of new amenities and more cost-reflective developer contributions. Further develop alternative delivery models, such as Public–Private Partnerships.	Policies in this area are currently under development.
Make greater use of spatial planning to coordinate new housing development with infrastructure provision.	Following advice from the Productivity Commission, the Government is reviewing the national planning framework, with an emphasis on spatial planning.
Review the merits of refocusing competition law on the effects of potentially anti-competitive conduct, as opposed to its intent.	This is being considered as part of the existing Targeted Review of the Commerce Act.
Provide the Commerce Commission with the power and resources to undertake market studies.	As part of the Target Review of the Commerce Act the Government is currently considering a range of policy decisions, including a market studies function.
Facilitate competition in construction through a Commerce Commission market study into the industry and extending suspension of anti-dumping actions on residential building materials beyond 2017.	The Government in May this year extended the suspension of anti-dumping duties on residential building materials until 30 June 2019. As part of the Target Review of the Commerce Act the Government is currently considering a range of policy decisions, including a market studies function.
Reduce the time taken to resolve insolvency cases, and investigate whether continued trading of viable firms is impeded by not giving priority for new financing ahead of pre-existing unsecured creditors. Consider introducing separate insolvency regimes for SMEs and large firms.	The Government supports reducing the time taken to resolve insolvency cases. While not specifically providing priority for new financing, the Companies Act does not prevent finance companies from requiring that priority before providing finance to those companies. Specifying such a priority would require legislative reform, and the Government considers that the costs of a reform would outweigh the benefits. The Treasury would consider introducing separate insolvency regimes.
Undertake a tax review that considers corporate and personal income tax settings and potential new tax bases.	The Government has made announcements on some personal income tax threshold changes in Budget 2017 and has signalled an intention to

	further review these over time. The Government is not currently reviewing corporate taxes and notes that New Zealand's company tax is structured to effectively be a withholding tax for individual taxpayers, and is therefore not directly comparable with most other international company tax rates.
Increase fiscal support for business research and development.	New Zealand's recent growth in expenditure on R&D has been strong, and that performance can be attributed in part to the Government's R&D Growth Grants. The 2016 Research and Development Survey showed business R&D expenditure has increased 29 per cent from 2014 to 2016. Through Budget 2017, the Government has invested $203 million over four years in science and innovation through the Innovative New Zealand package, following on from $410.5 million in Budget 2016.
Maintain or increase long-term support for successful collaboration between research institutions and industry.	This is an ongoing Government policy objective supported by the Government's investment in the Endeavour Fund, Primary Growth Partnerships, Callaghan Innovation and the National Science Challenges.
Remove the annual cap on growth grants for research and development.	The annual cap on R&D Growth Grants is not set at a level which discourages increased investment in business research and development.
Adapting to the changing labour market	
Improve competence to teach mathematics by supporting professional development and evidence-informed teaching and raising initial teacher education quality and entry standards.	The Government continues to support Teach First NZ, a programme that recruits high quality science, technology and maths graduates. Education Council is currently consulting on raising the quality of initial teacher education including raising the entry standards to the profession. The Government has redesigned the professional learning system to target five areas with one of these being maths and pāngaru.
Review minimum numeracy requirements for school qualifications and the minimum education required by all school leavers. Help schools to make more effective use of ability grouping strategies.	There is work underway to review NCEA including the numeracy requirements at each level of the NCEA qualification. Government has recently set Better Public Service targets that 80 per cent of all Year 8 students will be at or above the national standard in mathematics and pāngaru by 2021. When students enter Year 9 they will be better prepared to access mathematics across the curriculum. Work is also underway to better support teachers in the classrooms which is based on

	the evidence about the positive impact of mixed ability grouping for all student achievements.
Merge Careers New Zealand into the Tertiary Education Commission, as the government has proposed, to increase the extent to which young people choose study fields in demand and tertiary institutions adapt their programmes to employer requirements.	Careers New Zealand is currently being merged into the Tertiary Education Commission (TEC).
Increase infrastructure investment needed to support better housing. Allow greater urban densification.	The Government has increased infrastructure investment to support better housing through Budget 2017 and the Housing Infrastructure Fund. The government has supported the early completion and adoption of the new Auckland Unitary Plan which allows for greater urban densification.
Collect more data on non-standard working arrangements.	The Treasury will consider this proposal with other agencies and provide advice to Ministers.
Consider how, if at all, laws and regulations governing the world of paid work should be adapted to manage the social and economic impacts of future changes in the scale and nature of non-standard working arrangements.	The Government is taking a pro-active stance to reviewing all micro-economic settings in regards to new technologies and their impact on industry sectors and employment e.g. ride-sharing.
Consider introducing unemployment insurance or, alternatively, longer notice periods and mandatory notification of layoffs. Also consider expanding training, guidance and counselling for displaced workers.	The recommendations on displaced workers are disproportionate to the scale of the problem. It is estimated that currently 0.18% of the workforce are displaced workers who are not re-employed after two years.
Transform disability benefit into an employment instrument by assessing eligibility on the basis of remaining work capacity and paying partial benefits to those with unused work capacity subject to satisfying job-search requirements.	Currently clients with a Health conditions or disability (HCD) are streamed into one of two categories: JobSeeker-HCD: Benefit with an employment focus where clients have part-time or deferred work obligations, or Supported Living Payment: For people with severe/chronic conditions who are not expected to work. MSD is investigating additional data collection to better understand how these clients may be supported into appropriate levels of work.
Reorient disability policy toward employment integration measures relative to compensation measures, as is occurring under the investment approach to social expenditures.	Clients with health conditions or disabilities are making up an increasingly large proportion of the welfare liability. MSD has identified these clients as a key group to find new ways to support into employment and are currently investigating methods to improve outcomes for these clients through their Investment Aproach work.

Amend job-availability and -search requirements to move towards a full-time working model for sole parents that increases their incomes significantly, and reduce childcare costs for low-income people working more than 20 hours per week.	The New Zealand tax and transfer system is complex and can result in high effective marginal tax rates, especially for sole parents. Work is ongoing to identify potential ways to improve the tax and transfer system – recognising trade-offs between work incentives, supporting people on low incomes, and fiscal cost. The Government took some initial steps in this regards in Budget 2017.