

Discussion Paper 2020/01

Briefing to the Incoming Government



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TE HONONGA WAKA

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Introduction

2020 has been a big year. On the assumption the Government is not short on advice for responding to COVID-19, we have opted to make the following pages a COVID-free zone.

Focusing relentlessly on the immediate can put blinkers on our thinking, and stop us considering other issues and approaches. Although some of the challenges discussed below, such as poverty and climate change, have been brought into starker focus by COVID, they were there before the pandemic, and they will be there when it's over.

This document is by no means an exhaustive list of challenges facing Aotearoa New Zealand, or possible solutions. Instead, view them as mental prompts to consider as you use the summer recess to ponder the next three years. The themes discussed below represent five of the Institute's ongoing research projects. The projects informing this work are: CivicsNZ, ClimateChangeNZ, ReportingNZ, TacklingPovertyNZ and TalentNZ. If you are interested in reading more on the research underpinning this briefing, learn more [here](#).

A final piece of advice to new MPs entering Parliament: three years seems like a long time immediately after an election, but even minor decisions can take a parliamentary term to enact. If you have big ideas, right now is the time to start making them happen.

Thank you Lachlan Rule and Reuben Brady for reviewing our work and selecting the following ideas for sharing with MPs, officials and other interested parties.



Chief Executive
Wendy McGuinness

Defending democracy

It is easy to take institutions for granted.

New Zealand is blessed with a strong parliamentary democracy, a critical media, an informed public and effective checks and balances on the executive. It is both comforting and wrong to assume these core democratic pillars are eternal and immutable. We do not need to look very far or very hard to find examples of democratic norms fighting a losing battle against authoritarianism, ignorance, or the corrosive influence of vested interests.

New Zealand starts from a good position in this fight, with low perceptions of corruption, well established and effective democratic machinery overseen by a trusted Electoral Commission and political actors who have shown little interest in achieving victory through malfeasance. These strengths, and others, are the foundation on which the ongoing defence of New Zealand's democracy should be built; they are not an end point.

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Get money out of the game

Money and politics have always been intertwined.

The commercial gains to be had swaying government decisions ensure there is no shortage of lobbyists, former Ministers or donors floating around Parliament. As we have seen overseas, when the public believes politics is a field in which money determines the outcome of deliberations, trust in the entire system is undermined. A strong democracy needs a public who have confidence that government is making decisions in their interest. Effective rules around political donations are key to maintaining this trust.

New Zealand's current political donation disclosure thresholds mean parties must report:

1. single donations, contributions and loans over \$15,000
2. anonymous donations over \$1,500
3. cumulative donations over \$30,000 from a single donor or lender within a 12-month period. (Electoral Commission, n.d.)

The \$30,000 disclosure threshold allows donors to wield significant influence over candidates and political parties with little scrutiny. In a tight electorate race, \$30,000 can easily be the difference between winning and losing. The high threshold also creates opportunities to split very large donations into multiple smaller donations to obscure their source.

While recent moves to ban foreign political donors are welcome, the existing system provides ample scope for large offshore donations to be funnelled through local contacts. If political parties are not required to report or disclose most donations, security agencies, the media, civil society and the public have limited opportunities to scrutinise their source.

To bring New Zealand's donation laws up to scratch, government should ensure:

1. Real-time disclosure of all political donations above \$1,000, including cumulative donations over this total (similar to the COVID-19 Wage Subsidy register, see below).
2. Requirement for all companies to disclose in their annual report and financial statements political donations over \$1,000.
3. Political donations are restricted for individuals associated with certain industries, including liquor, gaming, tobacco, mineral extraction and property development.
4. Finally, the use of front organisations to obscure political donations erodes the ability for interested parties to interrogate party finances. The use of shadow foundations or companies for collecting political donations should be illegal.

Learn more: See section 4.4.5 of [Report 17 – Building a Reporting Framework Fit for Purpose](#).

Give 16-year-olds the vote

By the 2023 election, there will be approximately 130,000 16- and 17-year-olds in New Zealand (RNZ, 2020a); it's time to give them a voice.

Under-18-year-olds have already demonstrated the desire to be actively engaged in public decision-making processes; look no further than the 'School Strike 4 Climate' and 'Make it 16' campaigns. Given their impact on public policy and discourse, these campaigns arguably represent a greater level of participation in the democratic process than casting a vote (MCH, 2020). Making up 23% of New Zealand's total population (OCC, 2019), under-18s are the only age group within society without a voice in the electoral process. The public should be given a say on this vital question, with lowering the voting age put to a referendum in 2023.

Strengthening and expanding civics education goes hand in hand with lowering the voting age. Research has shown there is also an 'enabling gap' resulting from civic institutions not making themselves meaningful, responsive, and relevant to children and young people (OCC, 2019). The Institute believes lowering the voting age to 16 would bridge this gap and enable younger people to become more active, engaged and informed citizens.

If implemented, voting at 16 will allow students learning about civics and citizenship to immediately put what they have learned into practice (OCC, 2019). It will also establish voting habits early and increase the potential for greater civic engagement and participation, while ensuring children and young people's rights are upheld and considered (OCC, 2019).

The following four ideas should be considered alongside lowering the voting age:

1. Strengthening and expanding civics education, as well as providing opportunities for real-life decision making on issues that matter to younger people and their communities.
2. Designing and implementing alternative decision-making models.
3. Co-designing policies and institutions with children and young people.
4. Automatically registering all eligible voters in New Zealand (removing the requirement to enrol from the process entirely, as it currently creates an unnecessary barrier).

Reasons for giving 16-year-olds the vote:

- Decisions about the future have greater implications for young people than for older people.
- Voting young will enhance the habit of participation.
- Young people already pay tax and should have a say on how their money is spent.
- Large budget deficits are essentially being borrowed from younger generations; they should have a say in how this money is used.

Reasons against giving 16-year-olds the vote:

- Young people are not informed enough, are too immature and lack the life experience to vote.
- Young people are heavily influenced by adults in positions of authority, and therefore subject to coercion.
- The right to vote doesn't match other responsibilities young people hold, as they are still largely dependent economically on adults.

Adapted from MCH, 2020.

Strengthen oversight

Oversight instruments and institutions play a crucial role in the defence of strong democratic systems. Public trust in government is built on transparency, public engagement and accountability. Similarly, information that influences all government decisions (e.g. fiscal statements) must be credible, considered, and open to challenge. To begin the process of identifying and rectifying gaps, the Institute proposes the creation of an overarching oversight steward. The steward's role would involve monitoring the activities of all entities involved in the assurance, administration and enforcement of government, including independent agencies and commissions. The goal is not to centralise the system but to increase communication across silos and promote awareness of differences in standards, guidance and enforcement. The oversight steward's role could be shaped by three questions:

1. Are oversight entities performing effectively and do resource constraints, weaknesses and gaps in the system exist?
2. How frequently are public sector accountability mechanisms reviewed?
3. What core information does the government base key decisions on, and who ensures this information is accurate, complete and timely?

Although New Zealand's current oversight system is relatively broad in scope, large gaps exist. For example, the Serious Fraud Office, with a broad remit to investigate and prosecute serious and complex financial crimes, has seen a 40% increase in investigations involving public officials since 2015 (SFO, 2019). The public may be better served by

a stand-alone public corruption watchdog with jurisdiction over central and local government, as well as political actors and parties, similar to the Independent Commission Against Corruption model.

The Official Information Act is another good example of an oversight mechanism which has failed to keep up with the times. The volume of information generated by government, including emails, datasets and website data, has grown exponentially since the Act's passage. Meanwhile, it has become easier than ever to make a request under the Act. The heavy time burden imposed on ministries to locate and ready information for public release, and the lack of effective oversight from a stretched Ombudsman, suggests a rethink of the model is needed.

A third gap is that New Zealand does not have a *Governor-General Manual* that sits alongside the *Cabinet Manual*. To have one without the other is surprising given both institutions work together to provide the 'checks and balances' on our democracy.

Lastly, our inability to resolve public policy issues for many Māori (e.g. health issues, educational inequality and prison numbers) illustrate a public policy failure; the status quo is simply not working. We question whether the Māori seats are part of the problem. An alternative could be ensuring self-selected Māori MPs go on a new Māori list, guaranteeing that the number of Māori MPs in the House exceed the Māori voting population. Perhaps a Māori Council could then be established to focus on policy solutions created by Māori, for Māori

Learn more: [Project 2058, Report 8 – Māori Representation in Parliament](#), p. 82, (July, 2010)

Climate emergency

Emergencies demand action. A climate emergency demands climate action. Despite the increasing urgency of climate change, policy makers over the past 30 years have pursued a policy of technocratic tinkering. Meanwhile, emissions have continued to rise. After decades of fiddling around the edges, the time has come to try something different.

Despite the gloom-and-doom orthodox economists spout about the costs of climate action, our response to the climate crisis can spur economic, social and environmental revitalisation. If we're going to spend billions of dollars anyway, what other problems might we like to tackle at the same time? The international uncompetitiveness of our manufacturing sector? The slow decline of our native species? Our cold, damp housing stock? Our inefficient urban transport networks?

Like the Gordian Knot, impervious to the methods of the past but falling in the face of bold action, climate change needs a new approach. The proposals below are only a few of the many, many ideas put forward by activists, civil society, officials, businesses and the community. The best time to deliver ambitious, concrete action was 30 years ago; the second-best time is right now.

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Make a call on carbon-intensive industry

Does New Zealand want to be a country that produces refined fuels, steel, aluminium, methanol, or any other energy-intensive good?

If the answer is yes, government must seriously consider what interventions it is willing to make to assist major, carbon-intensive industrial enterprises to invest in upgrades and decarbonisation. The global move to low-carbon industry presents a huge opportunity for jurisdictions with the foresight to make the necessary investments. By merit of its renewable energy abundance, New Zealand has a natural competitive advantage in a low-carbon global economy.

If the answer is no, government should start early preparations for the inevitable full closure of the Marsden Point refinery, the Glenbrook steel mill and Methanex's Taranaki facilities. As small, carbon-intensive producers in competitive commodity markets, NZ's major industrial producers likely won't survive the global transition to low-carbon processes over the next 10–20 years.

The recent closure announcement by the Rio Tinto-owned New Zealand Aluminium Smelter (NZAS) is a prime example of where a lack of planning lands government and the community. NZAS is able to use the economic consequences of the closure as a bargaining chip to extract concessions on transmission and energy pricing.

New Zealand has already had the courage to make a call on fossil fuel extraction, marking a clear line in the sand with the offshore oil and gas ban. Continued moves to eradicate fossil fuel subsidies speak to New Zealand's ongoing commitment to ending domestic oil, gas and coal production and transitioning fully to renewable energy (MFAT, n.d.). It's time to show the same commitment to transitioning to low-carbon industry.

Deciding a position on the major industrial sites gives government far more power in deciding the terms of any assistance offered, and how communities are supported in the event of a closure.

[Learn more: PM announces the UK will end support for fossil fuel sector overseas](#) (12 December, 2020)

Create a dedicated revenue stream for climate mitigation

As we know, if we are to keep warming to 1.5 degrees, we must reduce emissions rapidly, and keep them down.

Many of the interventions necessary to meaningfully reduce emissions are expensive, long-term projects. Unfortunately, the shifting winds of public opinion and political interest are rarely conducive to intergenerational investments.

New Zealand's primary existing lever to reduce emissions across the economy is the Emissions Trading Scheme (ETS). The auction of emission units in the ETS will generate \$2.5 billion for government over the next five years. Counter to what many assume, this money currently flows back into general revenue, and is spent at budget time with the rest of the government's tax take (MfE, 2020a).

In contrast to New Zealand's approach, the majority of emission pricing revenue around the world is set aside for use in emission reduction programmes, or is returned to the public as targeted subsidies or grants. This process is known as hypothecation, or revenue recycling.

In late 2021, the Government will release the first ever Emission Reduction Plan, in response to the Climate Change Commission's first batch of

emissions budgets. This process is designed to get New Zealand on track to meet our 2050 Zero Carbon Act commitments. If the Plan is to fulfil its remit, the policy solutions it sets out will be expensive. Recycled ETS revenue could go a long way towards funding the investments needed to meet our targets.

ETS revenues could be set aside in long-term climate programmes and managed by agencies, or spent annually at budget time. Examples of potential uses for ETS revenues include: extending existing programmes such as the State Sector Decarbonisation and Government Investment in Decarbonising Industry funds, or establishing new programmes to subsidise electric vehicle purchases, paying for public transport infrastructure or funding low-carbon research.

Significant work has already been done by the Ministry for the Environment on scoping out and socialising a hypothecation regime in New Zealand. This work should be finalised, with a first batch of investments ready to be announced alongside the release of the Emission Reduction Plan.

Learn more: Government already relies on hypothecation to pay for other long-term priorities. The National Land Transport Fund, which pays for the National Land Transport Programme of infrastructure spending, is made up of revenue collected from fuel excise, road user charges, vehicle registration, licensing and tolls on roads. You can read more about the NLTF [here](#).

Rewilding Aotearoa

Rewilding is the process of restoring or protecting the natural biodiversity and ecological productivity of a region, particularly in areas degraded by human activity.

Native forests cover 26% of New Zealand's land area, roughly one-third of their extent prior to human arrival (MfE, 2018). The rate of native forest loss increased markedly following European colonisation. The decline in native ecosystems has had a corresponding impact on native species, many of which are ill suited to living on open grasslands or in urban environments. Fragmenting of existing ecosystems also poses a problem for native species, limiting genetic diversity, reducing resilience to climate change and interrupting natural migration patterns (MfE, 2019).

Not only are forests important habitat for native species, they are also excellent stores of carbon. New Zealand's production and permanent forests sequester more than 27 million tonnes of carbon dioxide each year, offsetting around one-third of our total annual emissions (MfE, 2020b). New Zealand will rely heavily on sequestration to meet its 2030 Paris targets and 2050 domestic targets.

While only around half of all new trees being planted are registered in the ETS, 90% of trees currently grown for carbon in New Zealand are exotic species, with radiata pine making up the bulk (MPI, 2020). Carbon farmers rely on exotic species because they sequester quickly, while native forests take longer to store a similar amount of carbon.

Exotic monocultures do not provide high-quality habitat for endemic animals. Some local communities are also concerned about the proliferation of exotic forests on hill-country farms and in potentially sensitive bioregions. If New Zealand continues to rely on exotic species to meet our emission reduction goals, these tensions will only get worse.

If New Zealand is to achieve sufficient short-term sequestration to meet its targets without exotic species, more native forests will need to be planted than are currently projected. Restricting the planting of permanent exotic forests in the ETS is a key change to increase the use of native species.

The McGuinness Institute previously wrote about a rewilding project to link existing conservation reserves and national parks with a series of green belts, creating an ecological corridor from Northland to Stewart Island (McGuinness Institute, 2018). Much of the land necessary to create these corridors is privately owned. Establishing clear incentives and rules around developing ecological corridors will help landowners responsibly and effectively engage in the process.

To resolve some of these ongoing tensions around land use and land use change, the McGuinness Institute proposes a Royal Commission on Land Use, the Environment and Oceans. Similar processes have been undertaken in the past, notably the 1913 Royal Commission on Forestry, and the 1949 Royal Commission on Sheep Farming.

To begin the process of rewilding Aotearoa, government should:

1. Ban permanent exotic forests in the ETS.
2. Stop issuing emission units for exotic species after 28 years without harvest.
3. Undertake a Royal Commission on Land Use, the Environment and Oceans.
4. Develop a National Policy Statement for Ecological Corridors under the Resource Management Act (or its replacement).
5. Create additional incentives for establishing covenants over forested land.

Learn more:

- [*Biological Corridors Throughout the Length of New Zealand*](#) (April 2018)
- [*Working Paper 2020/10 – A List of Royal Commissions*](#) (December 2020)

Reporting matters

Companies and other organisations that do not act in accordance with community norms are likely to lose their social licence to operate.

External reporting is the process by which organisations fulfil their responsibility to stakeholders through sharing information relevant to the management of resources at their disposal. Without strong reporting requirements, shareholders wouldn't know how their investments were being managed, activists wouldn't know how firms were addressing the sustainability of their supply chains, and communities wouldn't know how local governments were handling their assets.

New Zealand should have reporting systems that help us make informed decisions about the type of society, culture and environment we want to enjoy and pass down to future generations. Poor reporting creates uncertainty and leads to bad decision-making by governments, firms and citizens. If we want a country that knows where it's going, and how it's getting there, we need to get our reporting right.

Fund long-range analysis

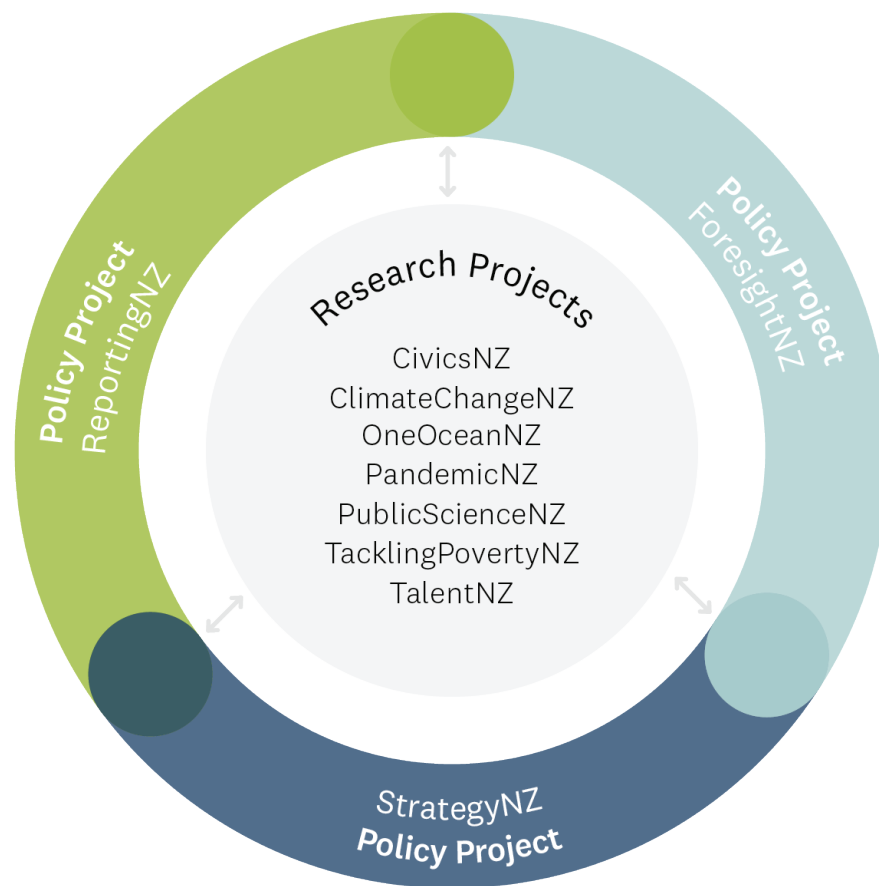
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For real accountability fans, in 2020 the McGuinness Institute launched a major report on external reporting in New Zealand, [Report 17 – Building a Reporting Framework Fit for Purpose](#). The report reviews our external reporting framework and proposes a series of recommendations to ensure organisations are providing the information stakeholders and citizens need to make informed decisions.

Fund long-range analysis

Whose job is it to think about the future? As followers of the McGuinness Institute's work will know, we're quite interested in the answer to this question.

Once upon a time, New Zealand had the Commission for the Future and the Planning Council. The role of these bodies was to consider and report on the long- and medium-term trends facing New Zealand society, as well as potential policy options in response (McGuinness Institute, 2019).

Although the Commission for the Future and the Planning Council no longer exist, there are a number of bodies with the capacity and remit to conduct the long-range forecasts necessary for good decision-making on key policy areas. The recently established Infrastructure and Climate Change Commissions are an obvious place to start.

Both these bodies could be given additional funding to carry out detailed long-term forecasting and engage in deep thinking about future trends. These outputs could then be incorporated into existing government processes which currently use shorter-term insights, giving decision makers greater depth of analysis and foresight on the potential consequences of their choices.

Learn more:

- [Revisiting Tomorrow Newspaper](#) (22 November 2019)
- [Public Service Act 2020, Schedule 6, section 8 Long-Term Insights Briefings](#) (6 August 2020)

Report Government climate liabilities

“Publicity is justly commended as a remedy for social and industrial diseases.

Sunlight is said to be the best of disinfectants; electric light the most efficient policeman.”
– Justice Louise Brandeis

In the dying days of the last term, the Government agreed to progress a mandatory Climate Related Financial Disclosures (CRFD) regime. The introduction of CRFD is one of the most substantive climate interventions passed in the last term. CRFD reporting will see firms forced to acknowledge and quantify the climate risks facing their business. By accounting for climate risks, firms are more likely to reduce their exposure, which in turn reduces harmful investments and reliance on carbon-intensive processes, while improving resilience (TCFD, 2017).

The government also carries substantial unacknowledged climate risks on its books. Some of these risks are difficult to precisely quantify, such as the financial risk associated with relocating inundated coastal communities, or the risk to the Department of Conservation estate from bushfires. The best government may ever be able to do is acknowledge and mitigate the risk through better planning and emergency management.

Some risks are simpler to quantify, such as the future cost of meeting our Paris targets using international carbon offsets. Given New Zealand has committed to meeting its 2030 target without the use of Kyoto carryover units, and given current policy settings are unlikely to get us close to achieving that target, a future government will be on the hook for the cost of meeting the shortfall (MfE, 2020c; CAT, 2020).

Treasury has previously argued that without a solid model for quantifying this cost, future climate liabilities are better left off the books altogether (MfE, 2020a). While it is true no international consensus exists around

an accounting methodology for the cost of missing international climate targets, this doesn't mean a number can't be arrived at for use in decision making.

A simple method of calculating this future cost would be to take the modelling done by the Ministry for the Environment and the Climate Change Commission on New Zealand's emission pathway to determine the best-guess shortfall under a range of scenarios. Multiply this shortfall by the cost of credible international units to arrive at a future liability. While it may not be possible to determine exactly what the cost of a high-quality international carbon unit will be in 2030, using a number of possible prices will give a range. The effect of multiplying these two uncertain numbers will be to create a wide spread of potential costs, but both estimates will become more accurate as the decade progresses.

That this method is unlikely to meet Treasury's exacting standards for inclusion in the government's financial statements does not diminish its utility as a decision-making tool. Instead, these estimates could be included as an addendum to the financial statements, with appropriate caveats and qualifiers on the methodology in place. Having any degree of clarity on future liabilities will build the fiscal case for early intervention to reduce emissions.

Learn more:

- [Analysis of Climate Change Reporting in the Public and Private Sectors](#) (July 2018)
- [Exploring Ways to Embed Climate Reporting in the Existing Framework](#) (September 2019)

Establish a public sector register

New Zealand's current reporting framework is inconsistent and incomplete.

While a New Zealand Companies Register exists for private sector firms to lodge their financial or annual reports, no equivalent register exists for public sector entities (McGuinness Institute, 2020).

Our research also highlighted that there are significant weaknesses in the public sector's external reporting system, primarily with the existing regulatory filing requirements for public sector entities (McGuinness Institute, 2020). The key issues with public sector regulatory filings in New Zealand are:

1. **Relevant reports/information are widely dispersed and hard to locate.**
2. **There is no central register for public sector entities.**
3. **Mandatory filing regimes can disadvantage those entities that fall outside the requirements, but which want to hold themselves to a higher level of transparency.**
4. **There is a lack of easy public access to information.**

The issues raised above also exist in other jurisdictions, and there are examples from abroad which New Zealand can learn from. Australia has resolved these issues through the creation of a 'Transparency Portal' website (McGuinness Institute, 2020). A complete set of annual reports for the 2018–19 reporting cycle for all Commonwealth entities and Commonwealth companies were placed on the portal after being tabled in Parliament (Transparency Portal, n.d.). The Transparency Portal is currently being expanded to incorporate additional information, such as corporate plans and portfolio statements, with a view to establishing a single authoritative source of

reporting requirements under the Public Governance, Performance and Accountability Act 2013 (Aust) (Transparency Portal, n.d.).

In response to these issues, the Institute recommends the creation of a single central register for all public benefit entities' external filings (including public sector bodies, local authorities, universities and registered charities). An all-encompassing central register would provide immediate public access to all regular external reports prepared by government and public benefit organisations. The content would include annual reports, statements of service performance and other significant reports (e.g. Financial Statements of the Government of New Zealand). Treasury or MBIE would be responsible for the public sector register. A central register would require public organisations that already make their annual reports public (government departments and local government) to file their reports in a central location which is easy to access and search.

To further improve transparency and accountability, the Public Finance Act 1989 could be updated to require an 'Annual Report of Government' to be published. This would:

1. **Improve public understanding of government's strategic direction.**
2. **Increase awareness of what activities the New Zealand Government is carrying out.**
3. **Enable citizens to act as an accountability check on these activities**

Learn more: [Report 17 – Building a Reporting Framework Fit for Purpose](#), section 8.4, p. 127 (16 July 2020)

No place for poverty

Poverty in New Zealand is linked with high rates of drug dependency, poor health outcomes, high crime and victimisation levels, and multi-generation cycles of disadvantage.

Despite New Zealand's advanced, high-income economy, one in eight children live in households facing material hardship, a number which rises to almost one in four for Māori families (Stats NZ, 2020). These figures speak to a terrible squandering of human potential.

Although welfare recipients are more likely to face material hardship, our spiralling housing costs, the increased cost of living, the decline of manufacturing and the rise of precarious employment arrangements have all contributed to an increasing number of working poor in New Zealand. More than 50,000 working households live in relative poverty, with women, single parents, Māori and Pacific peoples, disabled people and renters overrepresented in this cohort (Plum, A., et al., 2019).

Since 2015, the McGuinness Institute has sought to widen the debate about addressing poverty in New Zealand through our research project, TacklingPovertyNZ. While current policy settings are designed within the confines of commonly accepted parameters, our work proposes ideas that challenge the status quo. Given the intractability of poverty in the face of incrementalism, bold, empathetic policy change is needed to address this national shame.

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Establish demarcation zones

While social and economic conditions, individual decisions and family situations explain a lot about poverty, geography is also an important determinant.

Northland, East Cape and some areas in the Central North Island have a long history of disadvantage. Despite these hot-spots being well known, comparatively little social assistance is targeted specifically at a regional level, and what regionally targeted assistance exists is spread across multiple agencies.

One way to address regional poverty would be to create special demarcation zones in a limited number of high-need areas. Demarcation zones would devolve responsibility for administering funds currently allocated to central agencies (Ministries of Health, Social Development, Education and Justice, and Departments of Corrections and Department of Internal Affairs) to a regional body able to disburse funding within the zone to meet the unique needs of those communities (McGuinness Institute, 2017). Beneficiaries and recipients of social services would then be involved in designing programmes and policies for their communities and region.

The process of decentralising control would empower people in high-need areas living in poverty. In contrast to the current model of centralised dependency, allowing members of the community to direct resources to address local needs will give people a sense of purpose, confidence and responsibility (McGuinness Institute, 2017).

Demarcation zones should be designed with an emphasis on experimentation, as devolving spending power creates opportunities to try new approaches. Accepting and enabling policies to fail fast will be an

essential part of the process. Current structures are not well designed to explore new modes of delivery and the existing risk-averse culture makes leaders unintentionally support the status quo, ensuring poverty remains unresolved.

Other advantages include:

1. Significantly reducing gaps in the need-decision-provision cycle for social services; enabling more targeted and responsive service provision.
2. Allowing for experimentation at the regional level creates a pool of potential programmes for national rollout.
3. Linking social service bodies with local economic development organisations allows experimentation with different models of regional development.
4. Enabling targeted integrated support to meet the needs of specific communities – a one-stop shop approach that brings together essential services such as dentistry, mammograms, driver licence tests, defensive driving courses, schooling/careers advice, car WOFs and house WOFs.

Learn more:

- [Doing Something About Poverty in New Zealand](#) (May 2017)
- [Working Paper 2017/01 – TacklingPovertyNZ 2016 Tour: Methodology, results and observations](#) (February 2017)
- [Working Paper 2017/03 – Key Graphs on Poverty in New Zealand](#) (July 2017)

Standardise and simplify the benefit

A simpler benefit system would make everyone's lives easier.

The current welfare system is built around low core welfare benefit rates and an array of supplementary and discretionary assistance to meet needs not covered by the core benefit (McGuinness Institute, 2017). This system is designed to target assistance at specific requirements, while maintaining a large gap between core benefit levels and wages. There are a number of disadvantages with the current system;

- It is expensive; operating costs are approximately \$1.5b annually.
- It is difficult for benefit recipients to understand entitlements. Seeking discretionary assistance is a significant drain on beneficiary time and effort that could be better used elsewhere.
- It is not designed to encourage and enable benefit recipients to manage their finances independently.

The benefit should be simplified and standardised around a limited number of higher core benefits, with a reduced number of supplementary and discretionary payments. This system would have the following advantages:

1. A higher core benefit would reduce rates of material hardship for recipients.
2. Reduced administrative costs to the Ministry for Social Development.
3. Reduced cognitive and time burden on beneficiaries, improving wellbeing.
4. Given the differing eligibility for discretionary payments, a simplified system would lead to fewer administrative sanctions for beneficiaries.

Learn more:

- [Doing Something About Poverty in New Zealand \(May 2017\)](#)

Government as the ‘employer of last resort’

There’s always plenty of work that needs doing.

The public sector currently employs around 403,000 people (SSC, 2018). Government wages play a major role in many regional economies, particularly in and around the capital. During periods of economic hardship, maintaining or increasing the size of the public sector can prop up aggregate demand, supporting other sectors of the economy such as hospitality and retail. This countercyclical spending on wages is often done on an ad-hoc basis during downturns, but could be delivered more systematically. A permanent ‘employer of last resort’ scheme could provide meaningful paid work to job seekers displaced by national or regional downturns.

The state acting as an employer of last resort could deliver a range of benefits to affected communities, including: improved wellbeing for the newly employed, building a culture of work, providing opportunities for skill development, maintaining connection to the workforce, relieving pressure on the welfare system and supporting regional businesses (McGuinness Institute, 2017).

Any jobs created by the state acting as an ‘employer of last resort’ should:

1. **Be labour-intensive and require minimal qualifications.**
2. **Not be provided on the market.**
3. **Be ‘real jobs’, i.e. must pay at least minimum wage, and include the standard leave and other benefits associated with any other job.**
4. **Be able to be regionally targeted to deliver assistance to high-need areas.**

Green jobs (such as rewilding or predator and pest control, etc) are an excellent fit for an ‘employer of last resort’ scheme. Green jobs are readily scalable, the demand for environmental remediation is almost limitless, and the work is labour-intensive and is well suited to on-the-job training. In recognition of the role green jobs can play supporting regional communities, the 2020 budget included a \$1.3 billion Jobs for Nature package (MfE, n.d.).

The operational and reporting machinery developed over the four-year life of the Jobs for Nature programme would form an excellent basis for an ongoing 'Green Corps'. The Green Corps could be maintained as a skeleton organisation during periods of economic and jobs growth, and activated either regionally or nationally as needed. The Green Corps could be put to use when the national economy is otherwise strong to respond to the closure of major regional employers or downturns in specific industries. A list of projects could be maintained with the input of local governments, iwi and landcare groups, ensuring a ready supply of relevant work.

To create an enduring Green Corps as an employer of last resort, government should continue the roll-out of the Jobs for Nature programme in a way that ensures knowledge and skills are maintained, with an eye to establishing a permanent unit to manage the ongoing system. Given the primary role of the central Green Corps unit would be contract management with local project partners, the administrative cost to government should be minimal.

Learn more:

- [*Biological Corridors Throughout the Length of New Zealand*](#). (April 2018)
- [*Working Paper 2020/10 – A List of Royal Commissions*](#) (December 2020)

Growing talent

‘Education should not merely be a transfer of information from the “knowers” to the “learners”; it should be a dynamic, multi-directional process whereby individuals and groups can constantly broaden the scope of their thinking.’
(McGuinness Institute, 2016)

The figure overleaf (developed as part of our TalentNZ project) highlights the distinction between character, personality and skills. The difference between character and personality is best described by the following narrative – we all wake up every day with a personality; it requires little work to manage or maintain – it is simply the way we are. In contrast, character requires a lot of work; you need to work on it all day, every day – it is the way we want to be. Personality is seen, character is felt. You can often rate a person’s character by what they do (or don’t do) when no one is looking or when everyone is looking (e.g. a whistle blower). Character is in the middle of the illustration overleaf because it is often not seen yet it is the most important element. If we want to grow talent, we need to focus on character, as it is the key to helping young people become successful adults. They need to define what success means in their terms, but the lens is knowing themselves and the skills they require to look after themselves, their whānau and the environment in which they live, work and play.

Establish a Warrant
of Fitness for school
buildings

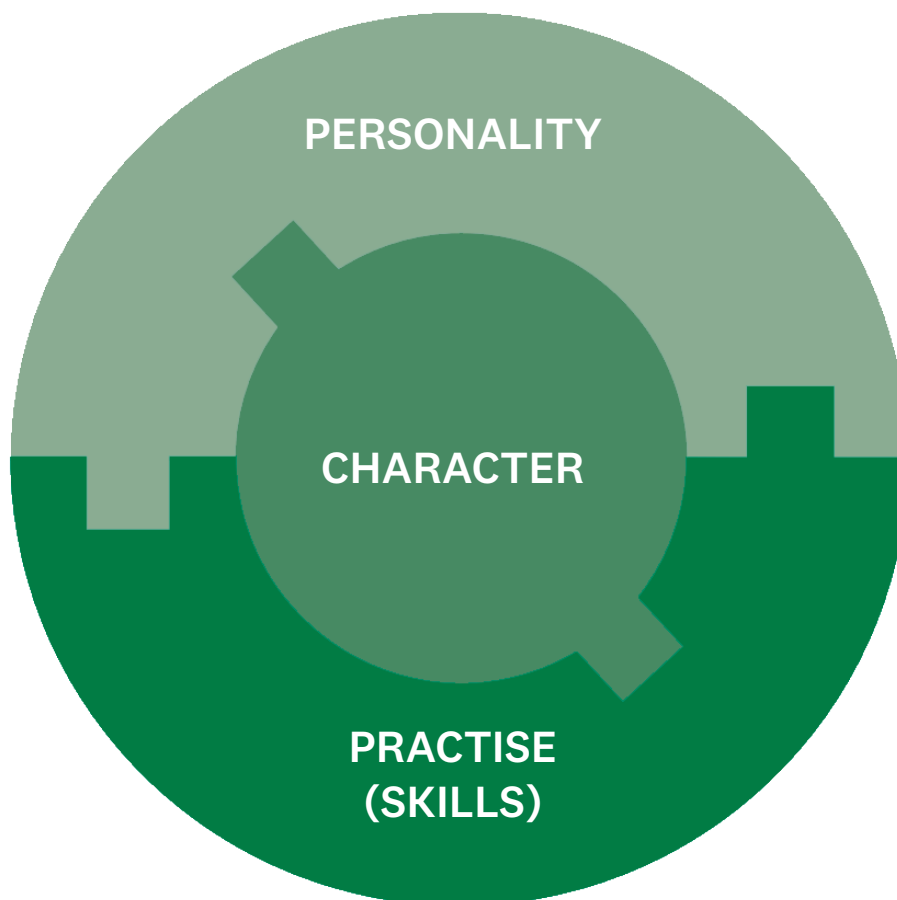
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Better careers
advice for better
lives

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The McGuinness Institute believes the primary focus of education should be educating to live well, not educating for employment. A holistic education system is much broader than simply training up young people for jobs. Our research has made the case for an education system which:

1. Develops character traits, skills and ethics aligned with the challenges and opportunities ahead.
2. Helps young people navigate their future, and the futures of their family, their iwi, their community and their country.
3. Changes our educational incentives to reward hard work and diligence, not natural aptitude.

Establish a Warrant of Fitness for school buildings

Students should learn in fit-for-purpose facilities.

The issue of cold and leaky school buildings came to a head earlier this year, with concerns about the state of classrooms raised by parents, teachers and principals in Taranaki (RNZ, 2020b). Despite substantial investment in upgrading and improving classrooms over the last twelve months, many schools, particularly in regional areas, still face a significant backlog of essential maintenance work (New Zealand Government, 2020).

Warm, dry classrooms are the bare minimum students and parents should expect from the public school system. Comfortable facilities help young people learn, and for students who live in cold, damp housing, a warm classroom can be a welcome respite.

In the face of mounting concerns around poor-quality rental housing stock, the last government introduced the Healthy Homes Standard.

The Standard established minimum standards for heating, insulation, ventilation, moisture, and draught stopping in rental properties (Tenancy Services, n.d.). Similarly, to ensure the safety of cars on our roads, government requires vehicles to undergo a yearly Warrant of Fitness. Why can't this model of ensuring minimum standards be extended to school facilities?

A Warrant of Fitness for school buildings would help government understand the scale of the problem of unfit school buildings, would ensure essential maintenance is prioritised, and would give parents, students and teachers confidence the issue is being taken seriously. To avoid duplication, the classroom WOF programme could use existing Healthy Homes Inspectors, given the similar issues of damp, draughts and heating.

Learn more:

- [*Doing Something About Poverty in New Zealand* \(May 2017\)](#)
- [*Working Paper 2017/01 – Tackling Poverty NZ 2016 Tour: Methodology, results and observations* \(February 2017\)](#)
- [*Working Paper 2017/03 – Key Graphs on Poverty in New Zealand* \(July 2017\)](#)

Better careers advice for better lives

Young people may not be fully aware of the options available to them.

Careers advisors, good and bad, can substantially shape the educational and employment decisions students are expected to make after finishing compulsory schooling. Young people are presented with a limited scope of what training, tertiary education and the workforce look like. The current mode of thinking pushes the notion there are only three pathways into tertiary education – university, technical institutes and trades. Little consideration is given to the motivations of students for pursuing different career options, and the mental tools necessary for charting a rewarding path through life.

This narrow career thinking is too restrictive and occurs too early in the process of decision making. Career advisors should be trained to provide holistic advice about the many different avenues into and between further education, as well as equipping students with the mental tools to consider their own future and aspirations.

To this end, the Institute recommends restructuring career advisory services to better suit the needs of young people. To deliver a careers advisory system up to its vital task, government should:

1. Start the process at primary school.
2. Educate the parents. The parents need to know and understand how to navigate the education system in New Zealand. The programme needs to be designed for the unique needs of each family.
3. Increase investment in research and development of these services.
4. Develop career advisory services into a universal, well integrated system with effective feedback loops.
5. Increase the scope of what guidance advisors are able to provide.
6. Develop an independent oversight body responsible for assessing the advice career advisors give.

Learn more:

- [*Think Piece 27 – The Family So’otaga: connection between home and school*](#) (February 2018)

University of Aotearoa

Stability has come before innovation and the interests of students.

Like other OECD countries, New Zealand's universities are largely centrally controlled. Throughout New Zealand's history 'government has responded to fiscal pressure, political risks and quality concerns with increasingly prescriptive funding rules and regulatory requirements [for tertiary education]' (NZPC, 2017).

New Zealand's universities are required to 'deliver a bewildering plethora of government priorities and strategic, economic and social objectives whilst simultaneously carrying out their traditional roles in teaching, research and scholarship' (Shore, 2007). This balancing act is made more difficult by the declining share of central government funding to universities, requiring an increasing reliance on international student fees (Ministry of Education, n.d.).

The Institute believes the current system is outdated and ill-suited to satisfying the growing demand for higher education and the increasing importance of skills in the economy (NZPC, 2017).

New Zealand's university system suffers from administrative duplication, resource constraints and relatively poor international standings. As a result, New Zealand's universities struggle to compete

with regional and international institutions. Given New Zealand's small population, maintaining eight competing universities is an inefficient and complex way to run an essential service.

To address the financial viability of the system, to reduce duplication, and to ensure New Zealanders have access to the highest-calibre education, the McGuinness Institute recommends merging all existing institutions into a single 'University of Aotearoa'. This could mean reverting back to something like the previous college model (see the 1879, 1880 and 1925 Royal Commissions).

Alternatively, the University of Aotearoa could be modelled on the state college systems in the United States, such as the University of California system.

By merit of its scale and breadth, a single University of Aotearoa would be better able to compete with international institutions, maintain a larger staff of academics and free up administrative funds for research and teaching. Funds currently directed to domestic and international student acquisition could be centralised and unnecessary competition between institutions abolished.

Learn more:

- [Working Paper 2020/10 – A List of Royal Commissions](#) (December 2020)
- [Working Paper 2016/03 – History of education in New Zealand](#) (December 2016)

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