



New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa

Annual report

1 July 2021 – 30 June 2022

Presented to the House of Representatives pursuant
to Section 150 of the Crown Entities Act 2004

New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa¹

Annual report 2021–22

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1. The Commission that pursues abundance for New Zealand.

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OUR YEAR AT A GLANCE

July 2021

Immigration: Fit for the future

Public consultation on the issues the Commission presented on this topic attracted 80 submissions in **July**, from both members of the public and representatives of organisations.



A fair chance for all: Breaking the cycle of persistent disadvantage

The Government asked the Commission to consult on what the Inquiry's Terms of Reference should cover – so we published a scoping paper in **July**, to start the conversation.



New Zealand firms: Reaching for the frontier

An independent expert review in **July** found the inquiry “achieves, if not exceeds, high standards for quality policy advice”.



A fair chance for all: Breaking the cycle of persistent disadvantage

In **August**, our consultation process attracted feedback from a wide audience, with 81 submissions and 875 responses to our online survey. We also spoke with over 180 people, including representatives from more than 60 organisations.



Immigration: Fit for the future

The Commission released its draft report containing preliminary findings and recommendations – **November**.



Immigration: Fit for the future

We released 6 research papers, covering a wide range of issues related to immigration in New Zealand in **November**.



Immigration: Fit for the future

The Consultation on the draft report attracted 101 submissions in **December**.



New Zealand firms: Reaching for the frontier

For the first time in the Commission's history, the Government requested a follow-on review from an initial inquiry, to see what change has taken place, in **March**.



A fair chance for all: Breaking the cycle of persistent disadvantage

The Commission received its Terms of Reference for this inquiry from Government in **December**.



Immigration: Fit for the future

Publishing our findings and recommendations triggered significant and sustained public discussion throughout **May** and **June**.



Immigration: Fit for the future

We published our final report, containing the Commission's findings and recommendations, and an associated report, Immigration by the numbers, with quantitative evidence generated during the inquiry, in **April**.



June 2022

Chair's message



Ka tangi te titi
Ka tangi te kaka
Ka tangi hoki ahau
Tihei Mauri Ora

Tēnā koe,

I'm pleased to present the *Productivity Commission's Annual Report for the 2021–22 year*, one best described as a year of transition and consolidation.

The foundation for our mahi, to provide research and advice to lift productivity for the wellbeing of all New Zealanders, was set by the Minister of Finance in his Letter of Expectations in May 2021. The Minister requested the Commission extend its engagement programme to include a wider range of people, communities, and organisations. We were tasked to look at the longer-term picture, and cross-cutting policy issues and settings, while maintaining at our core, robust and rigorous analysis with recommendations informed by data and evidence.

We began the year with the hope that COVID-19 disruptions were behind us, and we could plan a return to more face-to-face engagements to assist our inquiry and research work. However, the ongoing impact of the pandemic required the organisation and our staff to innovate and adjust once more. These changes have been positive and become our new normal and have helped the Commission respond to intense staffing challenges in a highly competitive employment climate experienced by many public and private sector agencies this year.

In a challenging, but productive year, the Commission successfully delivered

our Immigration inquiry, proposing novel solutions to long-standing issues. One of the key recommendations in our final report was ensuring immigration policy is connected to other government plans and objectives around investments in infrastructure and workforce. Alongside the Infrastructure Commission's proposal for a population plan, and taking a much longer-term focus, we believe there is significant potential to progress towards our productivity and wellbeing aspirations.

Our staff ventured into new territory with a new inquiry, *A Fair Chance For All: Breaking the cycle of persistent disadvantage*. This inquiry required the Commission to engage with agencies, organisations and public prior to having a terms of reference agreed. The benefits from this process were positive, and we will take the learnings from this experience to continue to evolve our processes for future work. Ongoing work in this inquiry has continued at pace, with the Commission working hard to engage with a broader range of communities and to communicate the evidence and findings of our interim report.

The Commission received increased funding, which was used to increase the capacity and capability of our economics and research function. This gave the team a welcome boost, re-energising them to continue the value they provide to our inquiries, together with ongoing research and investigation into the links between productivity and wellbeing, at both the organisation and the sector level.

At a Commission-wide level, a refresh of our strategy builds on the foundation set over the first 10 years of the Commission. Following affirmation of our vision and purpose, we began developing areas of work to support a broader range of engagement in the community and to increase understanding of productivity. This included a stakeholder analysis and engagement plan; workforce retention and professional development programmes; building cultural competency and confidence; and clarifying governance, management and operations functions and responsibilities. This work is ongoing, and we will work on the establishment of success measures for reporting on in the coming year.

I look forward to an exciting year ahead as we work toward welcoming a new Commissioner to the team, establishing a new inquiry, completion of our A Fair Chance For All inquiry, and publication of the latest version of *Productivity by the numbers*.

It has been a fulfilling year with many highlights. I thank my fellow Commissioners for their assistance and contributions, and my wholesome congratulations to staff for all they have achieved during another challenging year.

Ngā mihi nui,



Dr. Ganesh Nana

Chair

New Zealand Productivity Commission
Te Kōmihana Whai Hua o Aotearoa

February 2023

Who we are

Our purpose

As embodied in the New Zealand Productivity Commission Act, 2010 the principal purpose of the Commission is to provide advice to the Government on improving productivity in a way that is directed to supporting the overall wellbeing of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society.

Our vision

To lift the productivity of New Zealand and the wellbeing of New Zealanders.

Our work

The Commission provides evidence-based, high-quality analysis and advice about ways to improve productivity in New Zealand. We aim to increase public and political understanding of productivity-related issues and to empower decision makers with the knowledge and solutions to influence and change policy.

Our work programme focuses on conducting inquiries and research on productivity-related matters and promoting public understanding of this. The Commission normally works on two inquiries in parallel.

Undertaking inquiries

Inquiries are big pieces of analysis, typically undertaken over 12 to 15 months. This timeframe recognises the importance of engaging extensively with interested parties and experts to ensure we consider all points of view, obtain the best available information, understand different perspectives, and test ideas. The Government chooses inquiry topics to ensure our work is relevant, and our advice pertains to issues they have an interest in addressing. Once topics are set, we are required to act independently.

Publishing research

The Commission conducts research and publishes papers to provide an evidence base on which to offer advice to improve New Zealand's productivity. This work includes benchmarking New Zealand's productivity performance over time, which is presented in our *Productivity by the numbers* publication. We collaborate and work closely with agencies who are active in productivity research. This allows us to access subject/sector specialists and benefit from the cross-promotion of ideas and insights.

Promoting understanding

We undertake a range of communications activities around our inquiries and research work to educate and promote understanding of productivity-related matters. We aim to reach diverse audiences through outreach activities, opinion journalism, blogging, sponsored media articles, social media and email marketing.

Our governance and capability

Our governance

The Commission has three part-time Commissioners: Dr Ganesh Nana (Chair), Prof Gail Pacheco and Dr Bill Rosenberg. As the Board, they are accountable to Parliament and report to a responsible minister within Government, currently the Minister of Finance. The Chair and Commissioners are responsible for the effective governance of the Commission. This includes the appointment and performance of the management team, setting and monitoring strategic direction, delivery of and conformance with accountability documents, integrity of processes and the overall health, wellbeing, and sustainability of the organisation (including oversight and management of reputation and risk). Commissioners also oversee the delivery of our work programme and outputs, shaping the scope, content, balance, quality, and presentation of our work.

Looking to the future

Currently the Commission is developing a new strategic plan that focuses on operational and organisational improvements. The high-level strategy developed to date is focused on four key strategic initiatives:

- Communicate and improve access to the Commission's work.
- Execute comprehensive stakeholder engagement.
- Promote productivity and wellbeing framework.
- Ensure our people, processes and systems are all fit for purpose.

The Commission is currently developing the objectives and action plans related to these initiatives and these will be published in our next Annual Report.

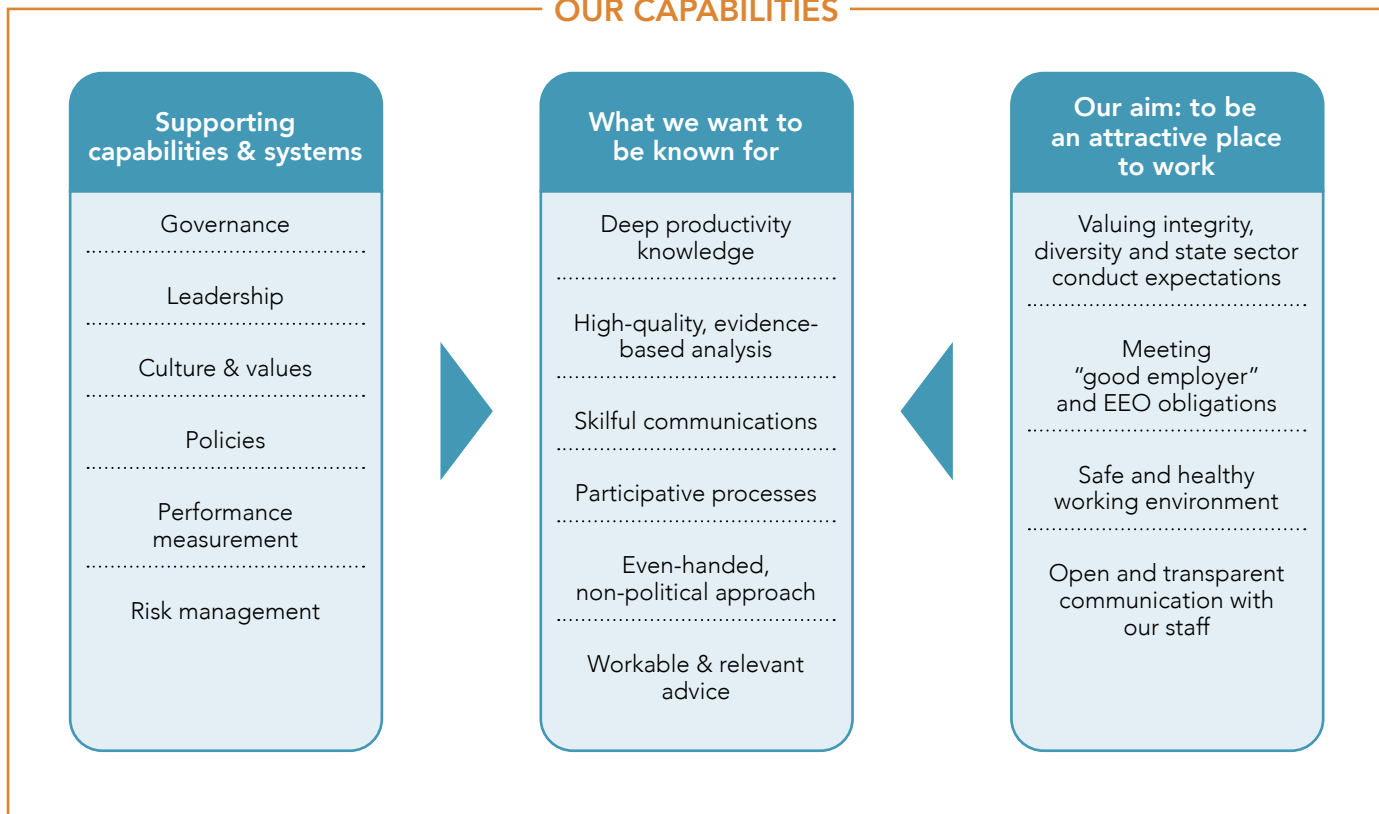
Our people

The quality of our people is critical to our success. The Commission aims to attract and retain strong performers in their field, or those who have significant potential to contribute to our research or inquiry work. We employ people who bring diverse skills, disciplines, and backgrounds to benefit our organisation. Once with us, we strive to provide a rewarding environment where excellence is valued.

We place high importance on supporting staff to develop to their full potential and encourage staff to plan and progress their personal development. There has been a growing awareness that deeper understanding of Te Ao Māori is an essential capability to develop in our workplace.

Across all staff positions we typically employ between 15 to 20 people with approximately a 50–50 gender split. They are employed on a mixture of permanent and shorter, fixed-term contracts. We supplement our permanent staff with consultants to bring experience and fresh perspectives, as required, and through secondments to take advantage of expertise across the public sector. We also encourage our staff to take up secondments to develop their skills and experience.

OUR CAPABILITIES



Looking to the future

The Commission retained an external HR company to review HR policies and interview former and current staff and make recommendations, following high turnover of staff in 2021 and the beginning of 2022. The recommendations made in the report were incorporated into operational changes and strategic action plans, to create a positive workplace culture and ensure retention of staff.

Our capabilities

Our work demands a high level of capability in areas such as sourcing information, analysis, process management, engagement, communications and influencing. These capabilities ensure the publication of insightful and influential analysis, findings and recommendations based on the right information from robust processes.

Our key capabilities are measured indirectly through our performance measurement and inform our internal priorities for capability development and the reputation we aspire to as an organisation. This is vital to ensuring our work makes a difference to lift the productivity of New Zealand to improve the wellbeing of New Zealanders.

We value diversity

The Commission values and embraces different and diverse ways of thinking and being. We aim for our thinking and actions to be informed by a diverse range of views from people, groups, and communities across Aotearoa New Zealand. We believe this approach is vital to enhance the credibility, value, and effectiveness of our work.

Our approach to diversity and inclusion

We believe that a diverse and inclusive approach to policy development is vital to lifting productivity and wellbeing for New Zealanders.

Our focus on diversity and inclusion will have a positive impact on our performance.

We have a responsibility as an employer and advisor to lead and role model in this area.

We recognise that we do not have all the answers and that we will make progress in this area through discussion, debate and feedback from our people and customers.

We are prepared to try new things and learn from our mistakes.

This year our Diversity and Inclusion Action Plan had two main goals: to develop a knowledge base on diversity and inclusion; and to take steps to build workforce diversity. Actions were progressed against these goals as follows:

1. Build initial information, knowledge, and awareness – to develop and promote a base of knowledge on diversity and inclusion.

- A baseline workplace profile was provided to Commissioners.
- A diversity and inclusion policy was drafted and will be finalised alongside our strategic refresh. This will be implemented with any necessary adjustments to our recruitment and employment processes.
- Identification and implementation of staff awareness and education tools for diversity and inclusion has been discussed with the leadership team and will be progressed in the coming year.

2. Take formative steps to build workforce diversity – to develop and promote a base of knowledge to support processes that enable the employment and retention of a more diverse workforce.

- We recognise the relative lack of women and Māori across the economics profession, and among senior roles. In response, we are trying to focus our recruitment on sourcing strategy(ies), channels, and advertising tools to attract a more diverse range of candidates. We are also pursuing development and leadership opportunities for women in the profession, including the encouragement of links to appropriate networks for staff.
- We developed a [careers section on our website](#) to better communicate the Commission's offering, including our commitment to becoming an equal opportunities employer, and to grow our knowledge and appreciation of Te Ao Māori.

Our Diversity and Inclusion Action Plan for the year ahead will further progress this year's goals, while incorporating new goals around improving accessibility, attracting more women and Māori, and building a culture and workplace that embraces Te Ao Māori.

Strategic risks and building our reputation

Vital to our strategic success are several attributes outlined below. We see our strategic risks as the inverse of not achieving or sustaining these key areas of success.

When we assess strategic risk, we consider the environment in which we operate in and how we want to be known in that environment:

What we want to be known for	Strategic risk area	Our response
Deep productivity knowledge	Insufficient knowledge	Our research function and inquiry work contribute to a deep understanding of productivity. Through our work and that of others, we will continue to enhance this knowledge. We must also continue to pursue improvement in those areas highlighted through our performance evaluation exercises and make time for staff to pursue professional and knowledge development.
High-quality, evidence-based analysis	Weak analysis	The ongoing development of analytical capability will always be a priority for our overall performance. While high quality skills and experience in economics and public policy remain core requirements our mandate is broad indicating that intellectual and experiential diversity are also important considerations.
Skilful communication	Poor communications	We are always assessing the relevance and utility of our communications approach and tools. This includes understanding how we can ensure that our messages are clear, accessible, and effectively presented. We recently updated our website to improve navigation and accessibility and to better communicate what we do and why.
Participative processes	Poor process and/or engagement	Our engagement processes are often highlighted as a strength and a distinguishing feature of our approach relative to core government agencies. We are committed to continuous improvement, for example, our recently completed inquiry on <i>Technological change and the future of work</i> operated a different model with a series of short draft reports along with a blog that provided an alternative means of gathering views and reaching interested parties.
An even-handed approach	Bias and/or loss of independence	We actively engage with a wide range of individuals and organisations to ensure we are exposed to all points of view, get the best available information and understand different perspectives. We are committed to providing independent advice.
Workable and relevant advice	Seen as overly theoretical and lacking practicability	The quality and workability of our recommendations will be an enduring focus. Overall, feedback to date indicates we are credible and influential through the quality and emerging impact of our work. It is critical that we remain focused on providing relevant and workable advice, and recommendations that can, with political will, be successfully implemented.

How we measure our performance

Making a difference: our outcomes framework

The Commission seeks to influence two strategic outcomes: to **lift New Zealand’s productivity** and, as a result, **lift the wellbeing of New Zealanders**.

Through our work, we:

- explore the causes of New Zealand’s weak productivity performance;
- identify the barriers to higher productivity and wellbeing; and
- recommend policies to overcome those barriers.

In producing and publicising research and reports, we aim to inform the public and decision makers, promote debate, and encourage the adoption of policies and behaviours that contribute to lifting productivity and wellbeing. To do this effectively, we must be trusted and provide rigorous and workable advice.

Central to the Commission’s impact and influence is our public consultation and engagement. During each inquiry we engage with a large and diverse group of experts, interested parties, communities, and groups across Aotearoa New Zealand, to provide direct input on specific policy issues and

OUR OUTCOMES FRAMEWORK

Outcomes for New Zealand

Lift the wellbeing of New Zealanders

Lift New Zealand’s productivity

How we make a difference via a wide range of government and non-government activities

What we do

Undertake inquiries

 Publish research

 Promote understanding

Our core capabilities

Source information

 Research and analysis

 Process management

 Engagement

 Communications and influencing

We want to be known for

Deep productivity knowledge

 High-quality, evidence-based analysis

 Skilful communication

 Participative processes

 Even-handed non-political approach

 Workable advice

Our impacts

Policies and behaviours change as a result of the Commission’s work

 Discussion and debate is generated from our work

 Levels of engagement with, and responses to, our work

to test ideas. Identifying areas in which policy settings can be improved to enhance productivity and wellbeing is at the heart of the Commission's work.

Our outcomes framework summarises how we expect to make a difference, along with the core capabilities and the reputation we wish to develop.

Measuring progress

Measuring the Commission's progress and impact is challenging. Productivity operates at many levels, with many influences, which may take place over long timeframes. It can be difficult to identify improvements to productivity or wellbeing that can be directly attributed to our work.

The inquiries we work on, the types of analysis we conduct, and the range of community and industry groups we engage with, change significantly from year to year. It is difficult to capture this diversity of work and effort in fixed quantitative targets, so the Commission takes a strong evaluative-based approach to measuring performance.

Once each inquiry is finished, an independent review is done. Every two years an independent review evaluates our economics and research work.

These evaluations use the same output measures to ensure comparability, while ensuring flexibility to incorporate other feedback.

Evaluating performance

The Commission is an independent research and advisory body with no operational ability to run or implement policies. The Government is under no obligation to implement our recommendations, nor to respond to our reports. We rely solely on our ability to skillfully communicate our ideas and our analysis to influence and shape policy.

Our evaluation methods

Independent expert review by someone with significant policy and/or productivity research experience, who is familiar with our role and functions.

Survey of external participants using a set of questions covering multiple aspects of our work, such as the quality of our analysis and clarity of our communication.

Stakeholder focus group(s) of about 6–10 attendees from different backgrounds, independently facilitated and without Commission attendance.

Monitoring external feedback and internal workflow processes to capture, share and evaluate feedback received and external responses to our work (in the media, Parliament etc).

[Note: all performance evaluations are published on our website.]

Our output measures

Intended impacts – what happens because of our work

Right focus – the relevance and materiality of our inquiry and research reports

Good process management – the timeliness and quality of our work

High-quality work – the quality of our analysis and recommendations

Effective engagement – quality of engagement with interested parties

Clear delivery of message – how well our work is communicated and presented

Overall quality – the overall quality of the work considering all factors

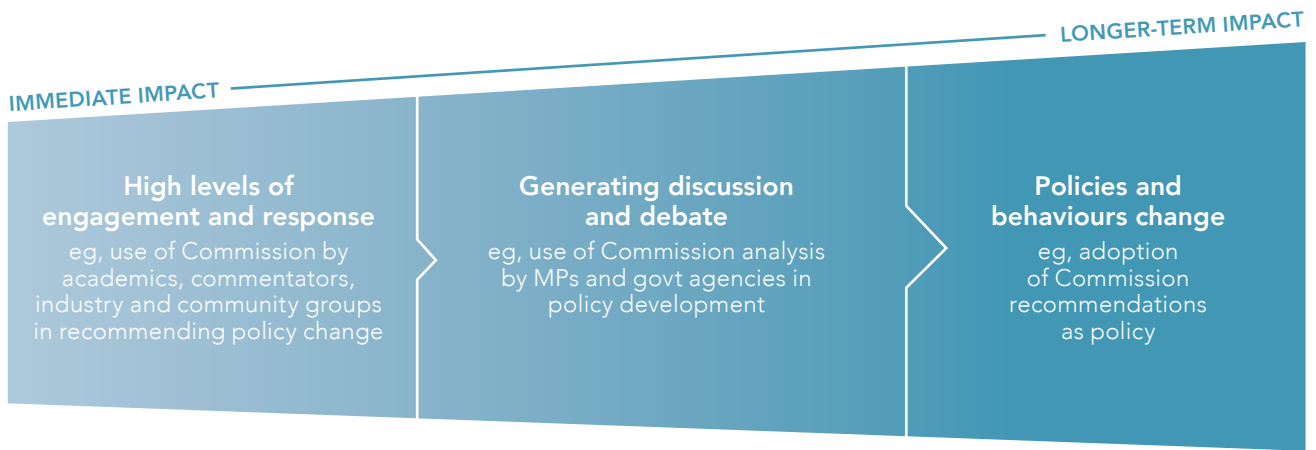
This influence may be direct and immediate (e.g. through academic, community, public and political recommendation) or over a longer period, after policies are adjusted or adopted.

We do not just produce reports. Analysis and commentary in our reports is disseminated, understood, and used to influence policy and behaviour so that New Zealand improves productivity in the long term.

Achieving policy impact and progress on New Zealand’s productivity and wellbeing performance may only emerge over time. To report on our strategic outcomes, we therefore focus on what analysis and advice we undertook that contributed to increasing the understanding of New Zealand’s productivity challenges.

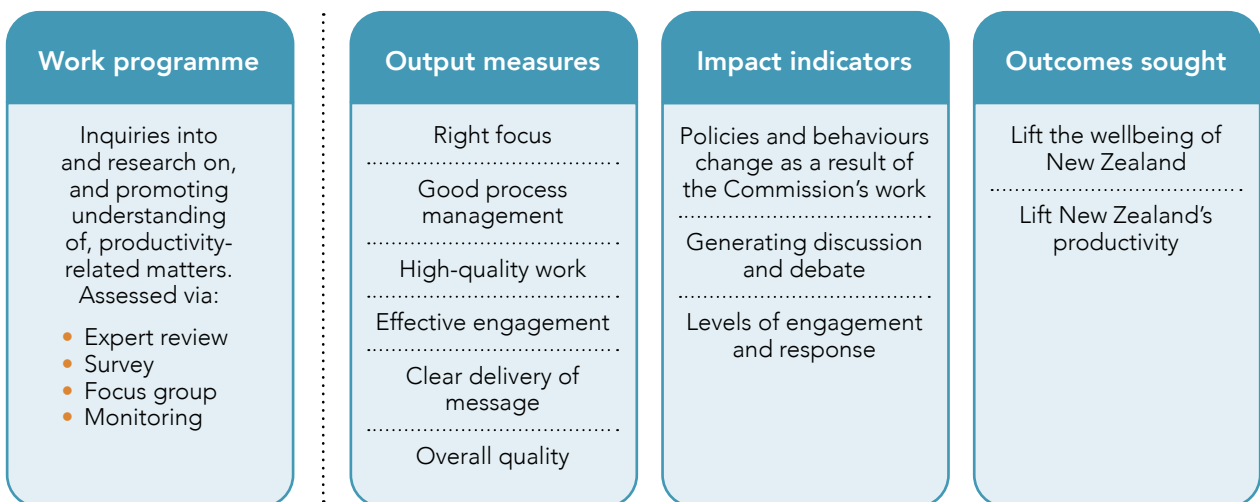
IMPACT OF OUR WORK

Within this context, we look at the impact of our work across the following three performance indicators:



OUR APPROACH TO PERFORMANCE MEASUREMENT

Our approach to performance measurement can be summarised as follows:



Our performance this year

Reporting on our outcomes

Lifting productivity of New Zealand and lifting the wellbeing of New Zealanders

Outcome	Measure	Assessment method	Location of reporting
Lifting the wellbeing of New Zealand; and lift New Zealand's productivity	Volume and quality of formal and informal research output (e.g. inquiry reports, research working paper series, and broader commentary on trends in New Zealand productivity and wellbeing such as our regular <i>Productivity by the numbers</i> report)	A summary of performance evaluation material relevant to the year under review (e.g. expert reviews, surveys, and focus group reports of formal and informal outputs).	See pages 18–45
		Monitoring and review of Government responses to inquiries and Cabinet minutes and ongoing follow-up with implementation agencies.	See page 14
		Monitoring of media (including social media) commentary on formal and informal outputs.	See pages 16 and 22
		Monitoring of <i>Hansard</i> , Select Committee reports and citation tools on formal and informal outputs.	See pages 16 and 22

Publishing research

Our research team has been focused on primary research to support our understanding of the inquiry topics. This has included work on how migrants contribute to productivity in New Zealand, migrant labour market pathways and outcomes, and income mobility patterns in New Zealand. The results from these research projects have fed into the work of our Immigration and A Fair Chance for All inquiries. The results were presented at the New Zealand Association of Economists annual conference, as well as several other public seminars and lectures. At the end of this reporting period, they were being prepared for publication as working papers and in peer-reviewed journals.

Penny Mok and Gail Pacheco's paper *Income Protection in the New Zealand Tax-transfer System* was published in the peer-reviewed journal *New Zealand Economic Papers*.

Income Mobility in New Zealand 2007–2020: Combining Household Survey and Census Data, by John Creedy and Quy Ta was featured in the *Working Papers in Public Finance* series by Victoria University of Wellington in May 2022.

Immigration by the numbers is a comprehensive collection of the immigration trends and quantitative analysis that informed the Commission's inquiry into immigration settings for New Zealand's long-term prosperity and wellbeing. The style of the report was built on last year's successful *Productivity by the numbers* publication.

We restarted the Productivity Hub¹, in collaboration with the Government Economics Network. This includes a Research Leaders Group², to bring together research leaders from across the government sector. This group includes representatives from Treasury, the Ministry of Business, Innovation and Employment, the Ministry of Foreign Affairs and Trade, New Zealand Infrastructure Commission, Te Puni Kōkiri, the Social Wellbeing Agency, Statistics New Zealand, the Ministry of Transport, and the Reserve Bank of New Zealand.

Undertaking inquiries

Two new inquiries were assigned by the Minister of Finance shortly after the completion of our Frontier Firms inquiry in April 2021.

Immigration: Fit for the future

The Commission received the terms of reference (ToR) from the Minister of Finance for the Immigration inquiry on 12 April 2021. The ToR alongside the inquiry's call for submissions and issues paper (released in June 2021) set the scene for this work programme from July 2021 to June 2022.

A Fair Chance For All: Breaking the cycle of persistent disadvantage

In June 2021, the Government asked the Commission to scope a new inquiry into the drivers of persistent disadvantage within people's lifetimes and across generations. As part of scoping, the Government asked us to consult the public on what the terms of reference should cover – a new approach for the Commission. To assist with this, a scoping paper was published on 21 July, with submissions and feedback due by 27 August 2021.

From January through to June 2022 we undertook work to inform the development of our interim report. This included commissioning and/or releasing the following pieces of research:

- *Together alone* – a review of joined up social services (by consulting economist Julie Fry).
- *Te puna kōrero: Understanding persistent disadvantage in Aotearoa New Zealand* – a thematic review of existing research into the lived experiences of people living in persistent disadvantage.
- A report on colonisation, racism, and wellbeing, prepared by Haemata Ltd.
- Analysis of family resources across the early life course and children's development in Aotearoa New Zealand, using the Growing Up in New Zealand study data set, undertaken by Dr. Kate C. Prickett, Dr. Sarah-Jane Paine, Associate Professor Polly Atatoa Carr Te Ngira and Professor Susan Morton.

We also undertook our own quantitative analysis into persistent disadvantage, linking the Census and the Household Economic Survey, and collaborating with Dr John Creedy at Victoria University of Wellington to examine income mobility patterns in New Zealand over the short to medium term.

The inquiry's interim and final reports are due to be published in 2022 and 2023 respectively.

1 <https://nzproductivity.atlassian.net/wiki/spaces/PH/overview>

2 <https://nzproductivity.atlassian.net/wiki/spaces/PH/pages/79757313/Research+Leaders+Group>

Through the consultation process on the terms of reference for the A Fair Chance For All inquiry, the Commission received:



81

and



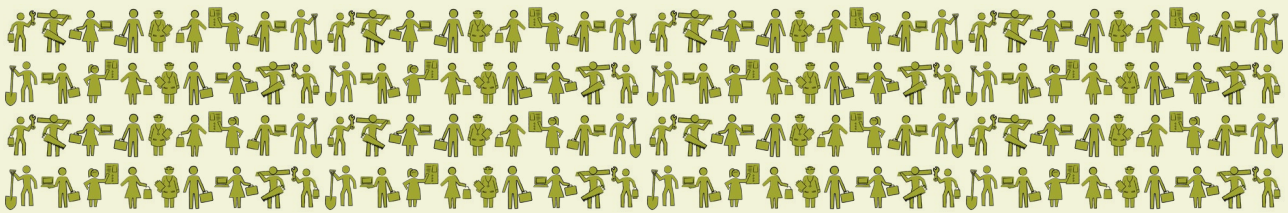
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to our online survey.

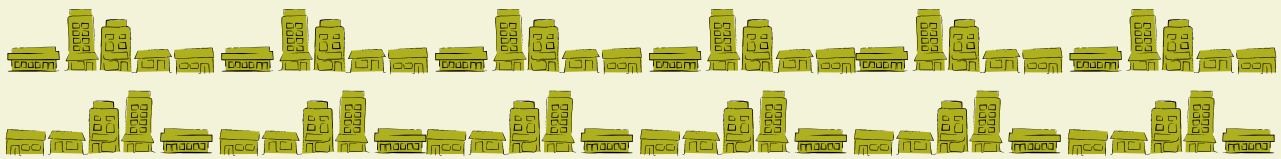
Submissions

Responses

We also spoke with over **180** people



Including representatives from more than **60** organisations.



This was the largest response to an inquiry topic the Commission has had. A summary of this engagement was published alongside the terms of reference and agreed to by Cabinet in December 2021.

New Zealand Firms: Reaching for the frontier

Evaluation – July 2021

Our final report on the Frontier Firms inquiry was published in May 2021. Institute of Directors, General Manager, Guy Beatson conducted an independent expert review of the inquiry and the final report. We also used an online survey and two independently chaired focus groups and interviews with inquiry participants to evaluate the inquiry and final report. These were all published on our website in July 2021.

The expert review found that, overall, the final inquiry report achieved, if not exceeded, high standards for quality policy advice. The review also found we should continue with some practices from the Frontier Firms inquiry to improve our inquiry practice in other areas.

Most focus group participants and interviewees viewed the inquiry favorably. Our staff, engagement and inquiry process drew positive comments. The inquiry's Māori engagement was welcomed and regarded as appropriate and of a high quality. Our engagement with Māori was useful for our analysis, findings, and recommendations, and promoted goodwill.

Government response and request for a follow-on review – March 2022

The Government released its official response to the Frontier Firms inquiry in March 2022, thanking the Commission for a well-researched, well-evidenced, coherent, and practical inquiry. The Government also appreciated us challenging it to think about where and how to focus its efforts and help guide its economic strategy towards a more productive, sustainable, and inclusive economy.

In its response, the Government asked us to undertake a “follow-on review of Government’s policy settings in 12 months, to determine whether we are shifting the productivity dial and progressing towards a more sustainable and inclusive economy, or whether more radical change is needed.”

We are undertaking this follow-on review from September 2022 to March 2023.

Promoting understanding

We published the draft report of the *Immigration– Fit for the future* inquiry with our preliminary findings and recommendations in November 2021.

The final report was delivered to the Minister of Finance, on 30 April 2022, with our findings and recommendations, together with an associated report (*Immigration by the numbers*) containing much of the quantitative evidence generated during the inquiry.

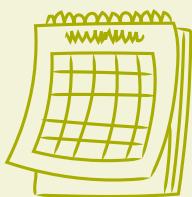
The public rollout of the findings and recommendations of the Immigration inquiry began in June 2022, and included webinars, media activity and a range of public events and meetings with key stakeholders. Ten events were held in June, including two that were open to the public – a launch event on 10 June (attended by 140 people) and a seminar organised in association with Motu Economic and Public Policy Research on 16 June.

Several organisations hosted meetings to discuss the inquiry’s final reports, including NZCTU, FOMA Chairs, Workforce Development Councils, the Employers and Manufacturers Association Members Forum, NZ Aged Care Association, Education New Zealand (the International Education Chief Executives Group), MBIE’s Policy Forum, the Treasury’s Economic Strategy Team (as well as a guest lecture at the Treasury), the Stats NZ DataLab User Forum, and the New Zealand Association of Economists Conference in late June.

The public release of *Immigration – Fit for the future* report on 31 May 2022 generated extensive media coverage, with over:



30 references to the report in newspapers, on the radio, TV and in online outlets.*



Over the next month a further **30 items** appeared almost daily



and another **40 items** surfaced via media analysis during July.



The inquiry was mentioned in Hansard reporting **three times**.

* The data relating to media coverage come from a search of over 40 outlets, powered by Fuseworks, that the Commission conducted on 19 September 2022. The search required identified items to contain reference to both immigration and the Productivity Commission.

An evaluation for the inquiry, including an expert review, focus group evaluation and public survey was undertaken and published on the Commission's website.

In addition to supporting our inquiries, our E&R team also completed the following pieces of work:

Migration and productivity

Research by the Commission examined how migrants contribute to productivity in New Zealand. Using administrative data on the flows of migrants into and out of New Zealand, visas, earnings, and jobs between 2004 and 2019, our research compared migrant workers with NZ-born workers. Through the lens of a derived 'productivity-wage gap' we captured the difference in relative contribution to output and the wage bill. The research found that skilled and long-term migrants make contributions to output that exceed moderately skilled New Zealand-born workers. The higher contribution is likely due to a mix of skill differences and/or effort that is largely reflected in higher wages.

We found tentative evidence that Māori highly skilled NZ-born workers make a stronger contribution to output when they work in firms with higher migrant shares, which suggests complementarities between the two groups or, at least, positive mutual sorting of these groups into higher productivity firms.

Migrant spells and transitions

The Commission examined recent migration trends in New Zealand, focusing on the visa spells and transitions. Visa spells are the time spent by migrants on a visa when they enter and work in New Zealand. Visa transitions describe when migrants change status, such as changing visa category, becoming a New Zealand citizen, or leaving the country. The work looked at visa spells and transitions for migrants arriving between 2000 to 2020, focusing on groups based on the years migrants first arrive. We found that most migrants enter and stay only a year or two before leaving.

Only a small number of migrants 'visa-hop' between multiple visas with most only holding two different visas. Many migrants leave after several years in New Zealand. Of those who stay, there has been an increasing trend towards spells on temporary work or student visas before gaining residence visas.

Migrant selection and outcomes

The Commission explored differences in the selection for permanent residence, where employers select for temporary visas in the first stage (demand driven) and the Government controls the second stage (human capital-based selection) through a points-based system. We compared earnings and employment outcomes between residents applying from offshore and those applying from temporary working visas. We looked at the extent to which skilled or highly paid migrants are reflected in selection and investigated whether there is any earnings advantage to pre-residence earnings over time, or whether there is a catch-up with time in New Zealand.

Changing family incomes in New Zealand

This work was conducted in collaboration with the Victoria University of Wellington. The work examined income mobility patterns in New Zealand over the short to medium term. We used a special dataset that tracked the Household Labour Force Survey over the period from 2007 to 2020, using 2013 census data. Just below half of those initially in the bottom decile remained either there or in the second-lowest decile over seven years, while about two-thirds of those initially in the top decile remained either there or in the second-highest decile.

2021–22 Statement of performance

Our approach

To measure our performance, we use a strongly evaluative approach that best aligns with the nature of our work. For our research and inquiries, we collect qualitative and quantitative information through independent expert evaluations, participant surveys and focus groups or interviews. As per our Statement of Performance, our performance is measured against three broad impact indicators:

- Policies and behaviour change because of our work;
- Discussion and debate are generated from our work;
- Levels of engagement, and responses to, our work.

We then measure our outputs against the following categories:

- Right focus;
- Good process management;
- High-quality work;
- Effective engagement;
- Clear delivery of message;
- Overall quality.

The evaluation, participant surveys and focus groups for the A Fair Chance For All inquiry will be included in the 2024 Annual Report.

Immigration – Fit for the future inquiry process and final report

An **independent evaluation** of the Immigration inquiry was undertaken to assess the Commission's performance and learnings for the future. Three external sources of

feedback were used – an expert review, focus groups and an online public survey.

The **expert review** was carried out by Richard Bedford, of Bedford Consulting. All evaluation documents are available on the [Productivity Commission website](#).

The **focus group** report, prepared for the Commission by Kathy Spencer, collected feedback from 12 people representing industry groups and other stakeholders who were actively involved in the inquiry process. The focus group process included individual interviews, and two small group sessions. Participants included representatives from Restaurant Association of NZ, Federated Farmers, BusinessNZ, Human Rights Commission, Unite Union, NZNO, University of Otago, E Tū, Aims Global, Asia New Zealand Foundation, Migrant Investor and Entrepreneur Association, and FIRST Union.

The **survey**, open to the public and promoted through the Commission's communication channels (including to participants), was run by Survey Monkey through the Commission's website. It attracted 99 participants in total.

Biennial review of Economics and Research team

Every two years our economics and research function undergo **independent review** to evaluate the work completed during that period. Professor Robert Buckle completed the sixth review of our Economics and Research team (ERT). Having conducted the previous two reviews (2018 and 2020), Prof Buckle was able to consider how we had responded to his previous recommendations.

During the last two-year period, the ERT received very little funding and was reduced to a single person reporting to a Commissioner as an interim measure. More recently the team has experienced some growth.

The [2020–22 review](#) is available on the Productivity Commission’s website.

“The team is perhaps the strongest it has been for several years.”

Prof Buckle noted that with “the support of the Board and additional financial support”, the Commission had been able to “markedly improve the level of research experience, skill and capacity.” He noted:

- the quality of the research published is of a high standard – it is valuable and valued;
- the development of a work programme that aligns its contributions with the requirements of the Commission’s inquiries, while also enabling the ERT to spend a significant amount of time working on other important productivity topics;
- methods of work involving deeper cooperation, and “significant research and leadership contributions” were made by the team to the Commission’s inquiries;
- there has been an increase in the quality of engagement and collaboration with other stakeholders, particularly those in Government policy agencies.

Impact indicator: Policies and behaviour change because of the Commission’s work

The proportion of our inquiry recommendations implemented by the Government, are the most direct measure of the impact of our work. The Government is under no obligation to implement our recommendations or respond to our reports. However, in practice and in most cases, the Government has issued formal responses to our inquiry reports specifying which recommendations it agrees with and will implement.

As an independent organisation with a strong focus on public interest, we are expected to push the boundaries on complex issues. Done well, our inquiry reports should spark a recalibration of thinking within relevant agencies and other stakeholders. We aim to put difficult issues on the agenda and encourage discussion and action on topics that other agencies consider too sensitive. We will continue to test ideas and challenge the status quo in the interest of improvement. Our focus is on providing the best advice, rather than the most palatable advice.

We look for evidence that our work is increasing understanding of productivity-related matters. We consider this a precursor to increased uptake and understanding of our recommendations that will ultimately lead to better decision-making on the policies and programmes that could lead to improved productivity and wellbeing. We mainly look for this evidence through independent evaluation of our work (via participant surveys, independent expert reviews and focus groups), but also by observing data around our connection and communication with audiences interested in our work.

Impact indicator: Policies and behaviour change because of the Commission’s work

Impact(s)	Measure	Assessment
Policies and behaviour changes because of our work	<p>Commission recommendations explored, agreed, and implemented:</p> <ul style="list-style-type: none"> • How many inquiry recommendations were agreed and implemented? • How fully were the recommendations implemented or actively explored by the relevant policy makers? 	Last year the Immigration inquiry made a series of recommendations to Government, no formal response has been received.
	Understanding of productivity-related matters increases	<p>Surveys, focus groups and expert review undertaken for the Immigration inquiry.</p> <p>Expert peer review undertaken on the E+R team (Biannual).</p>

Immigration – Fit for the future inquiry process and final report

Assessment methods: Independent expert review, focus groups, survey	
Understanding of productivity-related matters	
Survey results	<p>Most survey respondents said the inquiry had increased their understanding “a little” or “a lot”. Responses to specific statements from the 74 respondents were as follows:</p> <ul style="list-style-type: none"> • Immigration has played an important part in New Zealand’s economic development: 45.8% a little; 35.1% a lot. • On average, immigration is not driving down wages or replacing local workers: 37.8% a little; 35.1% a lot. • The immigration system currently uses a range of tools that may suppress wages, job creation, and productivity: 41.9% a little; 32.4% a lot. • The Government should use an Immigration Government Policy Statement to improve the quality and transparency of immigration policy: 36.5% a little; 52.7% a lot. • The Government should engage with Māori in good faith on how to reflect Te Tiriti o Waitangi in immigration policy and institutions: 33.8% a little; 45.9% a lot. • The Government should improve the prospects of local workers instead of restricting immigration to prevent potential job displacement: 41.9% a little; 43.2% a lot.

Immigration – Fit for the future inquiry process and final report (continued)

<p>Expert reviewer (Richard Bedford) noted:</p>	<p>In its 'Briefing for the Incoming Minister (BIM) of Immigration' in June 2022, MBIE refers to the Productivity Commission's inquiry on pg. 4, noting that "the Productivity Commission has several findings and recommendations for the immigration system. You will receive advice on a government response in August".</p> <p>It will be interesting to see how many of the Commission's recommendations relating to immigration policy tools, including preparation of an immigration Government Policy Statement, are adopted by the immigration policy teams within MBIE's Labour, Science and Enterprise Group. (pg. 4 of expert review)</p>
<p>Focus group</p>	<p>All participants wanted the Commission's final report to have an impact on policies and behaviours, however, no-one felt fully confident that would happen:</p> <p>"I haven't seen any changes based on the Commission's report so far, but hopefully that will happen."</p> <p>One person commented that while the rebalance had made some changes to allow migrant workers some ability to change employers, there were still a lot of barriers to doing that.</p> <p>People were looking for more acknowledgement of, and response to the inquiry from both the Government and MBIE. Decisions on sector workforce agreements and the Green List had cast doubt over how much influence the inquiry would have.</p> <p>On a more positive note, it was acknowledged that work on immigration is ongoing and that there will of course be further policy changes and working groups to address particular issues in the future. Participants and their organisations planned to make good use of the Commission's inquiry, especially the data, in those ongoing processes.</p>

Biennial review of Economics and Research team

<p>Assessment methods: Independent expert review</p>	
<p>Understanding of productivity-related matters</p>	
<p>Expert reviewer (Professor Robert Buckle) noted:</p>	<p>No formal evaluation processes have been carried out as no inquiries were completed during this reporting period, due to the timing of the inquiry process. With each inquiry taking 18–24 months, work carried out during this year will be evaluated in the 2022–23 Annual Report.</p>

Impact indicator: The Commission's work generates discussion and debate

Where our work generates discussion and debate, we are interested in seeing the diversity of voices in that debate, how our work is being used by people (influencers), particularly those providing commentary on, or input into, policy. We look at how and where our work is cited in Parliament, by academics, industry commentators and the media.

Generating discussion and debate

Measure

Third party commentary on reports in the media:

Nature of comment (favourable, unfavourable, informed)

Who commented?

How many people/groups commented?

Assessment method

Media monitoring



Activity through the Commission's **Twitter platform** received about

65,300 impressions.

Twitter does not enable us to capture whether a comment is favourable, unfavourable or informed.

The Commission was mentioned in

817

news items (not including duplicate coverage in regional papers).

The top five sources of coverage were:

Stuff **The New Zealand Herald**
newsroom. **BusinessDesk.**



with generally positive sentiment.



Our stakeholder database continued to grow and currently includes

3,756

subscribers from a broad range of organisations and agencies.

Measure

Citing the Commission's work in Parliament, Select Committees, or in academic or other literature.



Assessment method

Monitoring of *Hansard*, Select Committee reports and citation tools – The Commission was mentioned 13 times in *Hansard* reporting during this reporting period. We have no record of the Productivity Commission's work cited in select committees during this period.

Immigration – Fit for the future inquiry process and final report

Assessment methods: Independent expert review, focus groups, survey	
Third party commentary and reporting in the media	
Survey	<p>Of the 84 members of the public responding to the survey, they largely agreed that the Commission had engaged with the appropriate people and had consulted the correct information during the inquiry.</p> <ul style="list-style-type: none"> • Sourced all relevant research and information: 47.6% (40) agreed; 17.9% (15) strongly agreed; 22.6% (19) didn't know. • Engaged with the right people: 40.2% (33) agreed; 12.2% (10) strongly agreed; 31.7% (26) didn't know. • Engaged effectively and appropriately with Māori organisations and individuals: 21.7% (18) agreed; 9.6% (8) strongly agreed; 62.7% (52) didn't know.
Expert reviewer (Richard Bedford) noted:	<p>Extensive media coverage followed the public release of the Commission's findings and recommendations on 31 May 2022. There were over 110 references to these in the print media, on radio and television, and in online outlets between 31 May and 1 September.</p> <p>This high level of interest in the findings of the inquiry is hardly surprising given the attention in the media to immigration generally at this time with the progressive opening of the border and the implementation of the Accredited Employer Work Visa system.</p> <p>There has not yet been an official response from the Minister of Immigration to the inquiry's findings and recommendations, but it is clear from the media coverage that these have generated considerable discussion and debate about immigration.</p>
Focus group	<p>Participants thought the Commission's final report needed and deserved wide distribution, with some saying immigration tended to be seen more negatively than positively, and the Commission's report could help to change that. The finding in the Commission's report that immigration did not, on average, drive wages down was seen as particularly helpful to address a widespread misperception.</p> <p>However, some were worried the report would "get lost on the shelves and gather dust", with the focus switching to the immigration rebalance of 11 May.</p> <p>In general, people were disappointed by the amount of discussion and debate generated by the inquiry.</p> <p>"I haven't seen much debate after the initial launch."</p> <p>"It was always going to be limited due to the narrowness of the report."</p>

Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Third party commentary and reporting in the media	
Expert reviewer (Professor Robert Buckle) noted:	<p>Articles on productivity related topics were published to reach a broad audience.</p> <p>The new Director has initiated a series of op-eds published by the <i>New Zealand Herald</i> and <i>Stuff</i>. These articles focus on issues pertinent to the role of the Commission and signal the type of work undertaken by the Commission. This series has included articles on the benefits of innovation, competition and innovation, and education, written in a style that introduces readers to the role and work of the Commission.</p> <p>They have a potentially important role in communicating to a broad audience why productivity matters for welfare and what can contribute to higher productivity. This seems an excellent initiative and an opportunity to extend the reach of engagement beyond the research and policy community.</p>

Impact indicator: Levels of engagement and response with the Commission's work increase

Feedback from our stakeholders and the wider community indicates the role our work plays in increasing the overall quality of analysis and advice on productivity issues.

Impact(s)	Measure	Assessment
Levels of engagement with, and responses to, our work	Productivity analysis and advice improves: <ul style="list-style-type: none"> % of inquiry participants surveyed who agreed or strongly agreed that the inquiry had helped to set or lift the standard in New Zealand for high-quality analysis and advice on [the topic] 	6.3% strongly agreed 55.7% agreed
	<ul style="list-style-type: none"> % of inquiry participants surveyed who agreed or strongly agreed that they will use the inquiry report as a resource and reference in the future. 	24.4% strongly agreed 39.7% agreed

Immigration – Fit for the future inquiry process and final report

Assessment methods: Independent expert review, focus groups, survey	
Productivity analysis and advice improvements	
Survey	<p>Most of the respondents either agreed or strongly agreed that the final inquiry report “focused on the issues most significant to the development of working-age immigration policy settings for NZ’s long-term prosperity and wellbeing”. 43.4% (36) agreed, and 21.7% (18) strongly agreed; 16.9% (14) disagreed; 10.8% (9) didn’t know; and 7.2% (6) strongly disagreed.</p> <p>In a subsequent question set, the largest proportion of those who responded gave positive responses to the following statements:</p> <ul style="list-style-type: none"> • The inquiry was sufficiently bold in reaching its findings and recommendations: 46.2% (36) agreed; 21.8% (17) disagreed; 14.1% (11) strongly agreed; 10.3% (8) strongly disagreed; 7.7% (6) didn’t know. • The inquiry has helped set or lift the standard in New Zealand for high quality analysis and advice on improving working age immigration policy settings for New Zealand’s long-term prosperity and wellbeing: 55.1% (43) agreed; 20.5% (16) disagreed, 11.5% didn’t know. The options for the terms strongly agreed or strongly disagreed both received 6.5% (5) each.
Expert reviewer commentary on the extent to which the research work: Helped set or lift the standard in New Zealand for high-quality analysis and advice on [the topic]	
Expert reviewer (Richard Bedford) noted:	<p>I am impressed by the extent and range of public consultation that the Commission undertook following receipt of the ToR for the immigration inquiry in April 2021.</p> <p>With regard to the conduct of the engagement meetings, many of the early ones involved groups in round-table discussions with members of the inquiry team. The discussions were designed to inform the framing of the issues paper. Those academic colleagues and members of Ministries I contacted reported that these meetings were very open and constructive discussions. Genuine interest in getting ideas and feedback relating to the questions in the issues paper was apparent to participants in the panel discussions.</p>
Focus group commentary on the extent to which the research work: Helped set or lift the standard in New Zealand for high-quality analysis and advice on [the topic]	
Focus group	<p>There was general agreement that the Commission’s inquiry had lifted the standard of analysis and advice on immigration policy:</p> <p>“Yes, most definitely the inquiry lifts the standard.”</p> <p>“The report is of a higher standard than seen before.”</p> <p>While one participant said that her organisation had always had good access to MBIE data, another was very appreciative of the data made available through the inquiry:</p> <p>“It’s good to see data being available to everyone.”</p> <p>Another perspective was that it was hard to know whether the inquiry lifted the standard.</p> <p>“Prior analysis was carried out by MBIE behind closed doors, so it wasn’t possible to compare it with what the Commission had produced.”</p>

Immigration – Fit for the future inquiry process and final report (continued)

Expert reviewer commentary on the extent to which the research work: Contributes to future work on [the topic] being better focused and use resource more effectively	
Expert reviewer (Richard Bedford) noted:	<p>To ensure that immigration policy is “fit for the future”, the Commission argues that a range of absorptive capacity issues must be addressed, along with how best to reflect Te Tiriti o Waitangi in immigration policy and institutions. To achieve this, the Commission recommends establishing an immigration Government Policy Statement (GPS) to improve the quality and transparency of immigration policy.</p> <p>A major contribution of the Commission’s immigration inquiry has been to ‘red flag’ a number of key issues, such as absorptive capacity, that Ministries need to consider and address, rather than trying to do all the thinking for the Ministries.</p> <p>In this sense, <i>Immigration – Fit for the future</i> and the other reports and working papers that have been produced during the course of the Immigration inquiry have made a particularly valuable contribution that extends well beyond the domain of immigration policy settings.</p>
Focus group commentary on the extent to which the research work: Contributes to future work on [the topic] being better focused and use resource more effectively	
Focus group	<p>One participant suggested the Commission could usefully do a second immigration inquiry.</p> <p>“This would look at the labour market impacts of recent immigration policy changes, and the opening of the border, over the coming two years. It could also analyse what happens to migrant workers six months and two years post-immigration.”</p> <p>A number of people, including those who had been somewhat disappointed with this inquiry, voiced strong support for the ongoing work of the Commission:</p> <p>“Keep on consulting us and other stakeholders. We fully support the Commission’s work.”</p>
Quality of analysis and advice in the inquiry and if inquiry reports will serve as a resource and reference in the future	
Survey	<p>In the survey, 39% of the survey respondents (30) agreed with the statement “I will use the inquiry reports as a resource and reference in the future”, with 24.7% (19) strongly agreeing.</p>
Expert reviewer (Richard Bedford) noted:	<p>A major contribution of the Commission’s immigration inquiry has been to ‘red flag’ a number of key issues, such as absorptive capacity, that Ministries need to consider and address, rather than trying to do all the thinking for the Ministries.</p> <p>In this sense, <i>Immigration – Fit for the future</i> and the other reports and working papers that have been produced during the course of the immigration inquiry have made a particularly valuable contribution that extends well beyond the domain of immigration policy settings.</p>

Immigration – Fit for the future inquiry process and final report (continued)

<p>Focus group</p>	<p>All participants agreed that the Commission’s inquiry documents would be a reference and a resource in future:</p> <p>“We will certainly use the report to help in understanding the labour market and when we make submissions on future immigration changes.”</p> <p>Ongoing work that would likely benefit from the report and its findings included Regional Skills Leadership Groups, Workforce Development Councils, and the development of Industry Transformation Plans.</p> <p>A number of those outside Government had already used the inquiry material in related work:</p> <p>“We have already used the report to help put together a Select Committee submission and we will continue to use it.”</p> <p>“Absolutely the research is becoming a source of direction for policy.”</p> <p>Another participant said they had already taken actions because of the report, which had led directly to specific projects coming to fruition.</p> <p>However, participants didn’t want the report to be just a reference. They wanted to see it used by MBIE and ministers to create policy.</p>
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Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Productivity analysis and advice improvements	
<p>Expert reviewer (Professor Robert Buckle) noted:</p>	<p>The Commission has increased the quality of engagement and collaboration with other stakeholders, particularly those in government policy agencies.</p> <p>The reviewer commented on the re-activation of the Productivity Hub, with information about its activities now available online and open to Government and non-government researchers.</p> <p>He also considered the initiative to “successfully resuscitate” engagement with the Government Economics Network and related research and policy groups within the public sector.</p>

Output measurement: Right focus

Immigration – Fit for the future inquiry process and final report

Assessment methods: Independent expert review, focus groups, survey	
Relevance and materiality of inquiry report	
Participant survey – Inquiry participants surveyed who agreed or strongly agreed that:	
<ul style="list-style-type: none"> The Commission sourced all relevant research and information 	<p>47.1% agreed 18% strongly agreed</p>
<ul style="list-style-type: none"> The Commission engaged with the right people 	<p>39.8% agreed 13.3% strongly agreed</p>
<ul style="list-style-type: none"> The final report/ research paper(s) focused on the issues most significant to [the topic] 	<p>22.6% agreed 42.9% strongly agreed</p>
<ul style="list-style-type: none"> The final report went into sufficient depth on the issues it covered 	<p>42.9% agreed 17.9% strongly agreed</p>
Focus group	
<ul style="list-style-type: none"> The Commission sourced all relevant research and information 	<p>The inquiry report, according to one group member, had provided medium and long-term solutions that contrasted with the Government’s ‘band-aid’ or short-term responses to immigration issues.</p> <p>Another thought that the inquiry had reinforced an overdue need for our immigration settings to be simplified. This didn’t come so much from the inquiry itself, but from individuals describing the application process, visa criteria and so on:</p> <p>“It seems to be atrociously complex.”</p> <p>“If the inquiry achieves simplification that will be excellent.”</p>
<ul style="list-style-type: none"> The Commission engaged with the right people 	<p>While most people agreed that the engagement was very good, some participants felt that the consultation process could have reached further and captured more voices:</p> <p>“I felt the engagement was very good – I just wondered whether everyone had a chance to be involved.”</p> <p>For example, one person mentioned that some of the smaller unions could have made useful contributions but didn’t appear to have been included.</p> <p>Another mentioned that, ideally, the engagement would have involved a wider range of overseas business interests including fund managers, investors in NZ-based SMEs and listed companies, and the philanthropic sector. Potentially, these parties could have been brought together in one group to engage.</p>

Immigration – Fit for the future inquiry process and final report (continued)

<ul style="list-style-type: none"> The final report/ research paper(s) focused on the issues most significant to [the topic] 	<p>There was a lot of support for the Commission’s final report, and the findings and recommendations it put forward.</p> <p>“This was an essential investigation, and it was covered well.”</p> <p>However, one participant commented that, in practice, it had a narrower scope that focused on work visas. The inquiry report would have been more useful had it delivered on the wider scope indicated in the Terms of Reference.</p> <p>There was a second aspect in which the inquiry was seen as too narrow by one interviewee:</p> <p>“I felt that the review itself took an almost exclusively economic reading.”</p> <p>This person felt that the inquiry treated migrants as a pool of ‘short-term optional economic units’, used to plug gaps and make money for New Zealand businesses and the education sector. The many submissions with an international focus had reflected a much broader view of the importance and role of immigration, but they didn’t think this had come through into the final report.</p> <p>“We [my organisation] felt that the Terms of Reference recognised a much wider range of factors that are critical for the two-way movement of people.”</p>
<ul style="list-style-type: none"> The final report went into sufficient depth on the issues it covered 	<p>This question was not asked of the focus groups.</p>

Relevance and materiality of paper(s) within the research work reviewed and the final inquiry reports

<p>Expert reviewer (Richard Bedford) noted the extent to which:</p> <ul style="list-style-type: none"> the Commission sourced all relevant research and information; the Commission engaged with the right people; the paper(s) focused on the issues most significant to [the topic] and went into sufficient depth on the issues it covered. 	<p>The ToR covered a much wider range of topics and issues than had been suggested by the Commission.</p> <p>The Commission is to be commended for developing such a well-designed and attractively presented invitation to a wide range of stakeholders, including the general public, to make submissions on aspects of the immigration inquiry between June–December 2021.</p> <p>Just over 40% (15) of the 35 bullet points relate specifically to economic dimensions of migration, especially regarding the labour market (e.g., demand, wages, inclusion, ‘crowding out’), skills and education, business investment and incentives, and a range of adjustments relating to enhanced productivity, infrastructure provision (including housing) and macroeconomic phenomena such as interest and exchange rates and GDP growth.</p> <p>(The E&R team were embedded in the Immigration inquiry to conduct research for the inquiry. Therefore, the inquiry reviewer also looked at the E&R team’s contribution to this inquiry.)</p>
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Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Relevance and materiality of E&R work	
Independent expert reviewer (Professor Buckle) noted:	<p>With the support of the Board and additional financial support, the Commission had been able to “markedly improve the level of research experience, skill and capacity”.</p> <p>However, he also provided feedback from interviews of economists and researchers on the most relevant issues:</p> <p>“Some people interviewed thought the ERT could build on the excellent research and, as additional projects, identify how the insights could guide policy settings. Others argued that the ERT should concentrate on fundamental research on key issues associated with productivity and that it should be the responsibility of PC inquiries and relevant policy agencies to convert this research into appropriate guidance for public policy and management practice of firms.”</p> <p>In an in-depth review of the report <i>Export challenges and responses of New Zealand firms</i>, Prof Buckle noted:</p> <p>“This was collaborative work with New Zealand Trade and Enterprise and Text Ferret. The review noted the innovative approach of using a text mining approach, but that there was very little discussion of the selection bias, particularly explaining it for the wider audience for this paper including the policy community.”</p>

Output measurement: Good process management

Immigration – Fit for the future inquiry process and report

Assessment methods: Independent expert review, focus groups, survey		
The extent to which inquiry issues papers, draft reports and final reports were delivered to schedule		
All external milestones communicated in the Commission’s process planning are achieved: <ul style="list-style-type: none"> • Inquiry processes • Research processes 	<p>All external milestones communicated in our planning in inquiry and research processes were achieved.</p> <p>Milestones were monitored and reported in our triannual reporting to the Board and Ministers.</p>	
Participant satisfaction with the inquiry process	Inquiry participants surveyed who strongly agreed or agreed that overall, they were satisfied with the Commission’s inquiry process:	17.1% strongly agreed 65.8% agreed
Summary comments from focus group	<p>All participants thought that the Commission’s process had worked well. When providing input to the inquiry, focus group members had been given the opportunity to comment at multiple stages. The Commission had provided them with both the information they needed, and enough time to participate effectively.</p>	

Immigration – Fit for the future inquiry process and final report (continued)

<p>Summary comments from expert reviewer (Richard Bedford)</p>	<p>Between June 2021 and April 2022, the Commission prepared 10 research papers as part of the immigration inquiry. Most of these papers were subjected to external peer review and nine of them are available on the Commission’s website.</p> <p>In addition, six substantive inquiries into specific issues linked with productivity and wellbeing dimensions of migration were commissioned from external research providers and most are available on the Commission’s website.</p> <p>For most of the time during the 11 months between June 2021 and April 2022 no more than six staff were working on the immigration inquiry. Release of wide range of research reports, in addition to an issues paper, a draft report and the final report, is impressive for a small staff.</p>	
<p>Satisfaction with the Commission’s management of research processes</p>	<p>Participants in the Commission’s research process surveyed who agreed or strongly agreed that overall they were satisfied with the Commission’s approach:</p>	<p>17.1% strongly agreed 65.8% agreed</p>

Biennial review of Economics and Research team

<p>Assessment methods: Independent expert review</p>		
<p>The extent to which inquiry issues papers, draft reports and final reports were delivered to schedule</p>		
<p>Independent expert reviewer (Professor Buckle) noted:</p>	<p>There is a systematic work planning process in place developed in consultation with the PC Board and other stakeholders. There is now a systematic quality assurance process in place. There seems to be a stronger determination to seek peer review of ERT research through the refereeing of working papers, the presentation of research at academic conferences, and the publication of research beyond the PC website, including in peer reviewed research journals.</p>	
<p>Satisfaction with the Commissioner’s management of research processes</p>		
<p>Independent expert reviewer (Professor Buckle) noted:</p>	<p>That with the support of the Board and additional financial support, the Commission had been able to “markedly improve the level of research experience, skill and capacity”.</p> <p>“a research management process has been implemented.”</p>	
<p>The degree of reviewer confidence in research findings and conclusions</p>		
<p>Independent expert reviewer (Professor Buckle) noted:</p>	<p>There is now a systematic quality assurance process in place. There seems to be a strong determination to seek peer review of ERT research through the freeing of working papers, the presentation of research at academic conferences, and the publication of research beyond the PC website, including peer reviewed research journals.</p>	

Output measurement: High quality work

Immigration – Fit for the future inquiry process and report

Assessment methods: Independent expert review, focus groups, survey		
Confidence in inquiry findings and recommendations		
Participant confidence in the Commission's inquiry findings and recommendations	Inquiry participants surveyed who considered the following aspects to be of good or excellent quality:	
	• The inquiry's analysis of information	18.5% excellent 43.2% good
	• The findings and recommendations	12.3% excellent 44.4% good
	Inquiry participants surveyed who agreed or strongly agreed that:	
	• The Commission's recommendations followed logically from the inquiry analysis and findings	19% strongly agreed 58.2% agreed
	• The Commission's recommendations would, if implemented, materially improved performance in [the topic area]	18.8% strongly agreed 42.5% agreed
Summary of focus group		
Focus group summary of whether they considered the following aspects to be of good or excellent quality:	<ul style="list-style-type: none"> • The inquiry's analysis of information 	<p>Several comments were made on the quality of the data and analysis – one participant talked about how difficult it was to analyse immigration patterns before the Commission put out information and analysis as part of the inquiry.</p> <p>"We used to be reliant on flow numbers and had to read multiple reports to analyse what was happening in the labour market."</p> <p>"The way they analysed immigration by industry was really important for improving understanding."</p> <p>However, there were contrary views about quality, with one person saying:</p> <p>"The Commission has an excellent reputation, so this felt like a lighter and more targeted approach, with a process that was quite different to what we've seen previously."</p>

Immigration – Fit for the future inquiry process and final report (continued)

	<ul style="list-style-type: none"> The findings and recommendations 	<p>The recommendations were supported by most participants, with positive comment being made about recommendations specifically addressing:</p> <ul style="list-style-type: none"> the ability of migrant workers to change employer; the need for more support for migrant workers as they start work in the NZ environment; proposals for more data and labour market modelling.
Focus group summary of whether they agreed or strongly agreed that:	<ul style="list-style-type: none"> The Commission's recommendations followed logically from the inquiry analysis and findings 	"While the recommendations were really useful and important, they lacked a compelling, driving single argument for a major overhaul."
	<ul style="list-style-type: none"> The Commission's recommendations would, if implemented, materially improve performance in [the topic area] 	<p>People were looking for more acknowledgement of, and response to the inquiry from both the Government and MBIE. Decisions on sector workforce agreements and the Green List had cast doubt over how much influence the inquiry would have.</p> <p>"Immigration NZ isn't referencing the inquiry."</p>
Expert review commentary – Richard Bedford		
Participant confidence in the Commission's inquiry findings and recommendations	Inquiry participants surveyed who considered the following aspects to be of good or excellent quality:	
	<ul style="list-style-type: none"> The inquiry's analysis of information 	Question not asked of expert reviewer.
	<ul style="list-style-type: none"> The findings and recommendations 	Question not asked of expert reviewer.
	Inquiry participants surveyed who agreed or strongly agreed that:	
	<ul style="list-style-type: none"> The Commission's recommendations followed logically from the inquiry analysis and findings 	Question not asked of expert reviewer.
	<ul style="list-style-type: none"> The Commission's recommendations would, if implemented, materially improved performance in [the topic area] 	Question not asked of expert reviewer.

Immigration – Fit for the future inquiry process and final report (continued)

<p>The degree of reviewer confidence in research findings and conclusions</p> <p>(The E&R team were embedded in the Immigration inquiry to conduct research for the inquiry. Therefore, the inquiry reviewer also looked at the E&R team’s contribution to this inquiry.)</p>	<p>Reviewer commentary indicates the following aspect to be of good or excellent quality:</p> <ul style="list-style-type: none"> Information analysis or research papers 	<p>...I am impressed with the quality of the process that was adopted to meet the terms of reference for the immigration inquiry. I am also impressed with the inquiry’s four major outputs: the Issues paper, the draft report, the final report and the report (<i>Immigration by the numbers</i>) that contains much of the quantitative evidence that has informed the Commission’s findings and recommendations.</p> <p>The data presented in <i>Immigration by the numbers</i> provides support for several of the Commission’s headline statements about the inquiry that are on their website, including: “On average, immigration is not driving down wages nor displacing local workers.”</p>
	<p>Reviewer commentary indicates the following aspect to be of good or excellent quality:</p> <ul style="list-style-type: none"> Findings of research papers 	<p><i>Immigration by the numbers</i> is, and will remain, a major resource for anyone interested in international migration in New Zealand. It is rare to find such a comprehensive and very readable report on immigration in New Zealand.</p> <p>The Commission’s Economics and Research team are to be commended on the high quality of both the presentation of data in this report.</p> <p><i>Immigration – Fit for the future</i> is well written, has a clear and coherent structure, and is well-illustrated. Its content meets the requirements of the Minister of Finance in his letter of expectations in May 2021.</p> <p>A major contribution of the Commission’s immigration inquiry has been to ‘red flag’ a number of key issues, such as absorptive capacity, that Ministries need to consider and address, rather than trying to do all the thinking for the Ministries.</p> <p>In this sense, <i>Immigration – Fit for the future</i> and the other reports and working papers that have been produced during the course of the immigration inquiry have made a particularly valuable contribution that extends well beyond the domain of immigration policy settings.</p>

Immigration – Fit for the future inquiry process and final report (continued)

<p>Reviewer agreed or strongly agreed that:</p>	<ul style="list-style-type: none"> • Conclusions followed from analysis and findings 	<p>The data presented in <i>Immigration by the numbers</i> provides support for several of the Commission’s headline statements about the inquiry that are on their website, including: “On average, immigration is not driving down wages nor displacing local workers.”</p>
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Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Confidence in inquiry findings and recommendations	
<p>Expert reviewer (Professor Robert Buckle) noted:</p>	<p>The review found that the team “is perhaps the strongest it has been for several years.”</p> <p>“Despite capacity pressures, the PC and ERT have been active in presenting research papers at local research conferences. This has had the strong support of the PC Commissioners and involvement by one of the Commissioners, Professor Gail Pacheco. The topics of several of these research papers had a clear connection to the work on inquiries at the time.”</p> <p>For example, in his review of the report, <i>Living on the edge: An anatomy of New Zealand’s most productive firms</i>, Prof Buckle noted:</p> <p>“This work is of a very high quality. As some policy agency staff have remarked, this is a highly valuable “state of the art” source of information about the productivity of New Zealand firms. The data preparation, analysis and derivation of characteristics are meticulously documented and undertaken with rigour.”</p>

Output measurement: Effective engagement

Immigration – Fit for the future inquiry process and report

Research reports

Internally written research reports included six discussion papers to help those wishing to be better informed about a wide range of issues relating to immigration in New Zealand.

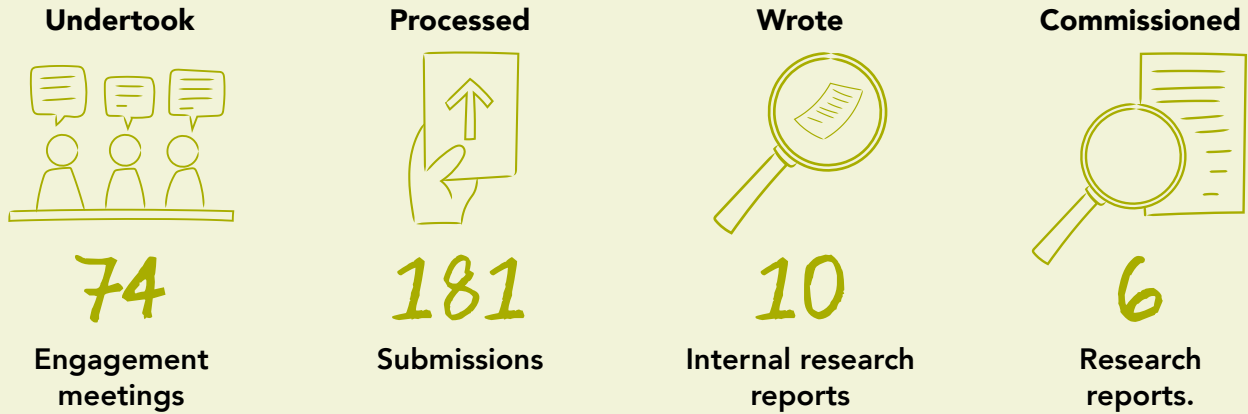
Draft and final reports

Learnings from engagement meetings and submissions, combined with further research, led to a significant change between the draft and final report. This included a refinement of and, in many cases, new findings and recommendations that would not have been possible without input from a wide range of stakeholders.

Immigration – Fit for the future

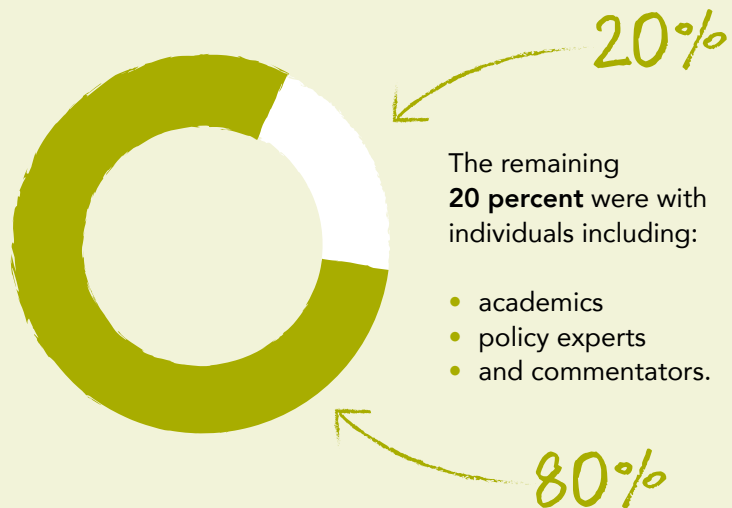
Engagement meetings

To support the evidence base for these reports and inform the overall inquiry, the team:



Many engagement meetings (**80 percent**) were with institutional and corporate stakeholders including:

- Government ministries/agencies
- industry organisations
- education institutions or bodies,
- investment and entrepreneur groups
- private companies
- unions
- professional bodies/associations
- charities and not-for-profits
- and local government councils/agencies.



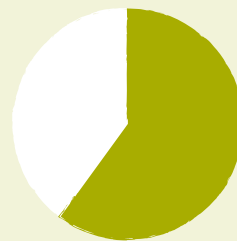
Submissions



More submissions were received in response to the draft report (**101 submissions**) compared to the issues paper (**80 submissions**).



Individuals made up a higher proportion of submissions on the issues paper, at just over **60 percent** with **33 percent** on the draft report.



60%

Submissions on the issues paper



33%

Submissions on the draft report

Immigration – Fit for the future inquiry process and final report

Assessment methods: Independent expert review, focus groups, survey		
Confidence in inquiry findings and recommendations		
Participant perception of the quality of engagement by the Commission.	Inquiry participants surveyed who agreed or strongly agreed that:	In total, 91 people responded to the following statements:
	<ul style="list-style-type: none"> There was ample opportunity to participate in the inquiry 	37% strongly agreed 45.7% agreed
	<ul style="list-style-type: none"> The Commission was approachable 	32.2% strongly agreed 44.4% agreed
	<ul style="list-style-type: none"> The Commission communicated clearly 	28.9% strongly agreed 51.1% agreed
	<ul style="list-style-type: none"> The Commission understood their views 	21.1% strongly agreed 41.1% agreed
Focus group perception of the quality of engagement by the Commission.	<p>One group member commented that “this Government is not known for the quality of its engagement on policy proposals” but said that the Commission’s work was an exception.</p> <p>Other feedback included:</p> <p>“This was the most solid piece of consultation I have seen in a long time.”</p> <p>“Certainly, the submissions reflected a wide range of organisations.”</p> <p>People who had been involved in face-to-face and Zoom meetings said the meetings had worked well and that staff at the Commission were both highly competent and good to deal with.</p> <p>Another person said that his engagement with the Commission over the report had been excellent. Where he had disagreed or didn’t understand something, the Commission did a good job of explaining and taking his input on board.</p> <p>The Commission’s engagement process was contrasted with the reference groups that are often used to gain stakeholders views. One participant commented that the Commission’s approach brought out the views of members of a range of organisations rather than just the views of a few individuals on a reference group.</p>	

Immigration – Fit for the future inquiry process and final report (continued)

<p>Expert reviewer (Richard Bedford) comments on perception of the quality of engagement by the Commission.</p> <p>The Commission's approach was a positive contribution toward improved levels of coordination and collaboration in productivity research.</p>	<p>The majority (80%) of these engagement meetings were with institutional and corporate stakeholders. Only 15 (20%) were with named academics, policy experts and commentators.</p> <p>Of the 59 engagement meetings with institutions, organisations, and corporate entities, 18 (30%) involved officials in Government ministries and agencies, 14 (24%) involved members of industry organisations and eight (14%) with members of education institutions/bodies.</p> <p>More than twice as many institutions, organisations and corporate entities (68) made submissions on the draft report than responded to the call for submissions on the issues paper (30).</p> <p>"...a high level of engagement with the immigration inquiry from non-government organisations."</p> <p>One crude indicator of effective engagement is the extent to which submissions on the draft report, and the insights gained from new research that the Commission had conducted internally or had commissioned externally, resulted in substantive changes in the key messages contained in the final report.</p> <p>The significant refinement of many of the recommendations that were contained in the draft report, plus the inclusion of 12 new ones in the final report, reflects positively on the effectiveness of the engagement process.</p> <p>Following a period of robust debate and deliberation, the Commission responded constructively to ideas, criticisms and new evidence contained in submissions and research reports and met the delivery target for its final report at the end of April 2022.</p>	
<p>Participants in Commission research processes surveyed who agreed or strongly agreed that the Commission's approach was a positive contribution in productivity research.</p>	<p>We cannot report against this measure as this question was not included specifically in the survey.</p>	
<p>Engagement meetings held</p>	<p>Number of parties the Commission engaged with during the inquiry, including Māori organisations, as noted in the final report appendix.</p>	<p>74 Engagement meetings 6 Māori organisations engaged with</p>
<p>Submissions received</p>	<p>Number of parties who made a submission during the inquiry, as noted in the final report appendix.</p>	<p>181 parties made submissions</p>

Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Understanding of productivity related matters increases	
Expert reviewer (Professor Robert Buckle) noted:	<p>“The broadening of engagement initiatives to reach diverse audiences and to enhance research collaboration opportunities. These initiatives range from opinion-editorials (op-eds) in New Zealand newspapers, research conference initiatives, and research collaboration with selected government departments.”</p> <p>In one of the reports reviewed in depth, <i>Migration and firm-level productivity</i>, by Richard Fabling, David C. Maré and Philip Stevens, Prof Buckle noted:</p> <p>“This is an excellent and substantial body of research... It is perhaps not surprising that this paper was mentioned by some from government departments as an example of the value the E&R team can provide to agencies that do not have the resources to undertake data intensive research that could add rigour to policy advice to Ministers.”</p>

Output measurement: Clear delivery of message Immigration – Fit for the future inquiry process and report

Assessment methods: Independent expert review, focus groups, survey		
Perception of how well our work was communicated and presented		
Participant survey		
Participant perception of the effectiveness of the Commission’s communication of inquiry and research findings and recommendations.	Inquiry participants surveyed who agreed or strongly agreed that:	
	• The findings and recommendations were clear.	28.7% strongly agreed 56.3% agreed
	• The style of writing and language used in the report was clear.	36.7% strongly agreed 54.4% agreed
	• The summary material provided was useful (the 100-page format was concise and easily digestible).	26.3% strongly agreed 46.3% agreed

Immigration – Fit for the future inquiry process and final report (continued)

Focus group		
<p>Focus group commentary of inquiry and research papers indicates that:</p> <p>(The E&R team were embedded in the Immigration inquiry to conduct research for the inquiry. Therefore, the inquiry reviewer also looked at the E&R team’s contribution to this inquiry.)</p>	<ul style="list-style-type: none"> The conclusions were clear. 	<p>In terms of the individual recommendations, there was a lot of support for the proposal for a Government Policy Statement. A number of people felt that the Statement would make policy transparent when immigration has been such a closed-door business, and provide a concrete basis for challenging what is happening on the ground:</p> <p>“The Government Policy Statement recommendation is really important to get immigration policy out in the open.”</p>
	<ul style="list-style-type: none"> The style of writing and language used was clear. 	<p>Most participants found the overview and <i>Immigration by the numbers</i> very useful. People said that the final report was of very good quality: well set-out, made good use of boxes, graphs, charts and data, and was easy to read and navigate.</p> <p>“I enjoyed reading the final report. It was fantastic to have the numbers separate and to see all the views of interested parties.”</p>
	<ul style="list-style-type: none"> Paper(s) provided clarity about steps leading on from the research. 	<p>However, some people had been looking for the Commission to propose a major overhaul of the immigration settings:</p> <p>“With the borders closed, this was a critical moment to take a good hard look at an immigration system that is broken.”</p> <p>“While the recommendations were really useful and important, they lacked a compelling, driving single argument for a major overhaul.”</p> <p>They thought that the Commission had done a reasonable job, but it was hampered by a narrow interpretation of the Terms of Reference, internal staff issues, parallel policy processes, and Covid.</p>
	<ul style="list-style-type: none"> The summary material was useful 	<p>The focus groups were not asked this specific question.</p>

Immigration – Fit for the future inquiry process and final report (continued)

Independent expert reviewer – Richard Bedford		
Reviewer commentary of research papers indicates that:	<ul style="list-style-type: none"> The conclusions were clear. 	The Productivity Commission’s immigration inquiry has scored highly on all of the performance measures that this review has been asked to consider. The Commission did a remarkable job delivering on the very ambitious ToR, especially given the transition that it was undergoing during the year when all phases of the inquiry were completed.
	<ul style="list-style-type: none"> The style of writing and language used was clear. 	<p><i>Immigration – Fit for the future</i> is well-written, has a clear and coherent structure, and is well-illustrated. Its content meets the requirements of the Minister of Finance in his letter of expectations in May 2021 where he requests that the Commission:</p> <p>“looks beyond traditional measures of economic success such as GDP, and has the wellbeing of current and future generations of New Zealanders front of mind as it generates new knowledge and advice.”</p>
	<ul style="list-style-type: none"> Paper(s) provided clarity about steps leading on from the research. 	<p>To ensure that immigration policy is “fit for the future”, the Commission argues that a range of absorptive capacity issues must be addressed, along with how best to reflect Te Tiriti o Waitangi in immigration policy and institutions.</p> <p>To achieve this, the Commission recommends establishing an immigration Government Policy Statement (GPS) to improve the quality and transparency of immigration policy.</p>
	<ul style="list-style-type: none"> The summary material was useful 	The expert reviewer was not asked to comment specifically on this.

Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Perception of how well our work was communicated and presented	
Expert reviewer (Professor Robert Buckle) noted:	<p>While generally positive, economists and researchers interviewed for the report suggested more could be done by to design documents that complement the more technical research papers, and to draw out the policy insights.</p> <p>In his review of the <i>Productivity by the numbers</i> series, Prof Buckle noted:</p> <p>“The second <i>Productivity by the numbers</i> publication released in 2021 and the new <i>Immigration by the numbers</i> published in 2022 ... present chapters on the history of immigration and productivity performance in New Zealand, a non-technical discussion on the way immigration and productivity contribute to firm performance, labour markets, economic performance and wellbeing. The 2021 version of <i>Productivity by the numbers</i> also contains a chapter discussing what governments can do to improve productivity.</p> <p>“People interviewed indicated strong support for the ... reports and appreciation of the information they provide. There were particularly appreciative comments on the style and quality of the 2021 publication and that it was a valuable source document on New Zealand productivity matters.”</p>

Output measurement: Overall quality

Immigration – Fit for the future inquiry process and report

Assessment methods: Independent expert review, focus groups, survey		
Perception of overall quality		
<p>Independent expert evaluation of the overall quality of the inquiry.</p> <p>Independent expert reviewer (Richard Bedford) noted:</p>	<p>A report evaluating 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) with recommendations of future improvements.</p>	<p>The Productivity Commission’s immigration inquiry has scored highly on all of the performance measures that this review has been asked to consider: the inquiry process, engagement strategies, focus of the inquiry, quality of the research and reports, and delivery of key messages. I have not reviewed other inquiries undertaken by the Commission so I cannot make any comments about how this inquiry compares with others on the basis of these performance criteria. But as someone who has organised multi-year research programmes on immigration and population change in New Zealand, I have been impressed by the scale, scope and productivity of the Commission’s immigration inquiry.</p> <p>On balance, I rate the overall quality of the inquiry as being very high. There will be on-going debate, amongst economists especially, about some of its findings. That is not a negative sign, especially in the social sciences. There will be debate about several of the recommendations. That is a positive sign that the Commission’s findings are challenging the status quo and triggering discussion about issues people consider to be important. There are some gaps in the inquiry, and some omissions from the engagement list, that I became aware of during the course of the review. These are inevitable in such a wide-ranging inquiry into a topic around which there is considerable debate.</p> <p>My only suggestion for future inquiries that address topics rooted in demography is to make sure that the demographers are consulted. I was surprised to find that one of New Zealand’s most experienced demographers, Dr Natalie Jackson, who was probably done more work on contemporary demography of New Zealand at national as well as regional levels, was not consulted at any stage during the inquiry. Economists, sociologists and geographers who work with population data are not, by definition, demographers.</p>

Immigration – Fit for the future inquiry process and final report (continued)

<p>Focus group evaluation of the inquiry</p>	<p>Report from a focus group representative of inquiry participants facilitated by an independent person with significant experience in inquiry-type work (taking into account the focus of the report, process, analysis, engagement and delivery of message) with feedback on the inquiry and recommendations for future improvement.</p>	<p>Many participants thought the quality of the Commission’s work was very high overall, including the preliminary and final reports, other supporting material, the process and the engagement. Comments included:</p> <p>“A very robust piece of work.”</p> <p>However, some people had been looking for the Commission to propose a major overhaul of the immigration settings:</p> <p>“With the borders closed, this was a critical moment to take a good hard look at an immigration system that is broken.”</p> <p>“While the recommendations were really useful and important, they lacked a compelling, driving single argument for a major overhaul.”</p> <p>The group thought that the Commission had done a reasonable job, but it was hampered by a narrow interpretation of the terms of reference, internal staff issues, parallel policy processes, and COVID-19.</p> <p>One participant suggested it would be useful for the Commission undertake a second immigration inquiry, to look at the labour market impacts of recent immigration policy changes, and the opening of the border, over the coming two years. It could also analyse what happens to migrant workers six months and two years post-immigration.</p> <p>Several people, including those who had been somewhat disappointed with this inquiry, voiced strong support for the ongoing work of the Commission.</p> <p>“Keep on consulting us and other stakeholders. We fully support the Commission’s work.”</p>
<p>Participant evaluation of the inquiry</p>	<p>Percentage of inquiry participants surveyed who rated the overall quality of the inquiry as good or excellent (taking into account the focus of the report, process, analysis, engagement and delivery of message).</p>	<p>17.8% excellent 42.5% good 26% acceptable</p> <p>[Note: Participants who rated the overall quality of the inquiry positively, as acceptable, good or excellent (a less demanding standard than the performance measure)]</p>

Biennial review of Economics and Research team

Assessment methods: Independent expert review	
Perception of overall quality	
Expert reviewer (Professor Robert Buckle) noted:	Prof Buckle noted the rebuilding of ERT and PC productivity research leadership and capability was both timely and positive, and "is taking place at a time when productivity issues seem to be regaining attention". "Discussions with those interviewed during this review emphasised the value of the research emerging from ERT and the insights the research provided for policy agencies."

2021–22 Financial performance summary

Summary of financial performance

Our full financial statements and accompanying notes are set out later in this report. We made a \$963,000 operating surplus, as summarised below.

	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Financial performance			
Revenue			
Revenue from the Crown	5,930	5,930	5,030
All other revenue	57	2	141
<i>Total revenue</i>	<i>5,987</i>	<i>5,932</i>	<i>5,171</i>
Expenses			
Personnel costs	3,399	3,987	3,050
All other expenses	1,625	1,845	1,143
<i>Total expenses</i>	<i>5,024</i>	<i>5,832</i>	<i>4,193</i>
Net surplus/(deficit)	963	100	978
Financial position			
Assets			
Total current assets	3,540	2,511	2,444
Total non-current assets	92	77	100
<i>Total assets</i>	<i>3,632</i>	<i>2,588</i>	<i>2,544</i>
Liabilities			
Total current liabilities	505	563	373
Total non-current liabilities	98	87	105
<i>Total liabilities</i>	<i>603</i>	<i>650</i>	<i>478</i>
Total equity	3,029	1,938	2,066

Output funding and costs

The Commission's summary of output funding and costs include the direct and indirect costs associated with delivering our core services: inquiries, research and promoting understanding. Dividing our funding in this way allows the Government to determine, at a high level, the mix of our work.

	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Inquiries			
Revenue from the Crown*	5,189	5,190	4,401
Other revenue	50	-	123
<i>Total revenue</i>	5,239	5,190	4,524
Expenses	(4,550)	(5,103)	(3,678)
Net surplus/(deficit)	689	87	846
Research and promoting understanding			
Revenue from the Crown*	741	742	629
Other revenue	7	-	18
<i>Total revenue</i>	748	742	647
Expenses	(474)	(729)	(515)
Net surplus/(deficit)	274	13	132
Total outputs			
Revenue from the Crown*	5,930	5,932	5,030
Other revenue	57	-	141
<i>Total revenue</i>	5,987	5,932	5,171
Expenses	(5,024)	(5,832)	(4,193)
Net surplus/(deficit)	963	100	978

* Revenue from the Crown represents the appropriation received by the Commission and equals the Government's actual expenses incurred in relation to the appropriation, which is a required disclosure from the Public Finance Act.

End of year reporting requirements as per the Estimates of Appropriations 2021–22 (Finance and Government Administration Sector)

The Commission receives funding from the appropriation 'Inquiries and Research into Productivity-Related Matters' under Vote Finance. The Commission's appropriation is limited to the undertaking of inquiries, and promoting public understanding of, productivity-related matters by the New Zealand Productivity Commission in accordance with the New Zealand Productivity Commission Act 2010.

Assessment of performance	2021–22 Budget standard	2021–22 Actual
Inquiry participants' feedback (via survey) on whether the inquiry helped set or lift the standard in New Zealand for high quality analysis and advice on the topic.	Maintained or improved	As reported in the Statement of Performance impact measure "Levels of engagement and response with the Commission's work increase."
Inquiry participants' feedback (via survey) on whether the inquiry has increased their understanding of the topic.	Maintained or improved	As reported in the Statement of Performance impact measure "Policies and behaviours change as a result of the Commission's work."
Successful completion of an annual benchmarking exercise to track New Zealand's productivity performance.	Achieved	Benchmarking completed. Results are included in pages 18–45.
Successful completion of a biannual evaluation of the quality of our research and analysis.	Maintained or improved	Completed – see pages 18–45 for details. Results are included through pages 18–45.

Statement of responsibility for the year ended 30 June 2022

Under the requirements specified in the Crown Entities Act 2004, section 155, the Commission's Board is responsible for:

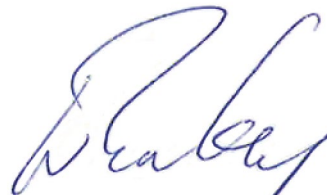
- the preparation of the Commission's financial statements and statement of performance and the judgements made in them;
- any end-of-year performance information provided by the Commission under section 19A of the Public Finance Act 1989; and
- establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Commission's financial and non-financial reporting.

In the Board's opinion these financial statements and statement of performance fairly reflect the financial position and operations of the Commission for the year ended 30 June 2022.

Signed on behalf of the Board:



Ganesh Nana
Chair



Bill Rosenberg
Commissioner &
Assurance Committee Chair

Date: 28 February 2023

Independent Auditor's Report

To the readers of New Zealand Productivity Commission's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of the New Zealand Productivity Commission (the Commission). The Auditor-General has appointed me, Matthew Geddes, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the Commission on his behalf.

Opinion

We have audited:

- the financial statements of the Commission on pages 54 to 69, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Commission on pages 13 to 48.

In our opinion:

- the financial statements of the Commission on pages 54 to 69:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Standards Reduced Disclosure Regime; and

- the performance information on pages 13 to 48:
 - presents fairly, in all material respects, the Commission's performance for the year ended 30 June 2022, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
 - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 February 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the Commission for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Commission for assessing the Commission's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commission, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Commission's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the Commission's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 12, 49 and 70 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Commission.



Matthew Geddes

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

2021–22 Financial statements

Statement of comprehensive revenue and expense for the year ended 30 June 2022

	Notes	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Revenue				
Revenue from the Crown	1	5,930	5,930	5,030
Interest revenue		6	2	1
Other revenue	1	51	-	140
<i>Total revenue</i>		5,987	5,932	5,171
Expenses				
Personnel costs	2	3,399	3,986	3,050
Other expenses	3	1,594	1,801	1,098
Depreciation and amortisation expense	6,7	31	45	45
<i>Total expenses</i>		5,024	5,832	4,193
Net surplus/(deficit) and total comprehensive revenue and expense		963	100	978

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of changes in equity for the year ended 30 June 2022

	Note	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Balance at 1 July		2,066	1,838	1,088
<i>Total comprehensive revenue and expense</i>		963	100	978
Balance at 30 June	12	3,029	1,938	2,066

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of financial position

as at 30 June 2022

	Notes	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Assets				
<i>Current assets</i>				
Cash and cash equivalents	4	3,450	2,475	2,343
Debtors and other receivables	5	90	36	101
<i>Total current assets</i>		3,540	2,511	2,444
<i>Non-current assets</i>				
Property, plant and equipment	6	75	65	77
Intangible assets	7	17	12	23
<i>Total non-current assets</i>		92	77	100
Total assets		3,632	2,588	2,544
Liabilities				
<i>Current liabilities</i>				
Creditors and other payables	8	310	389	178
Lease incentive	9	12	-	12
Employee entitlements	10	183	174	183
<i>Total current liabilities</i>		505	563	373
<i>Non-current liabilities</i>				
Lease incentive	9	22	22	34
Provisions	11	76	65	71
<i>Total non-current liabilities</i>		98	87	105
Total liabilities		603	650	478
Net assets		3,029	1,938	2,066
Equity				
Contributed capital		500	500	500
Accumulated surplus/(deficit)		2,529	1,438	1,566
Total equity	12	3,029	1,938	2,066

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of cash flows
for the year ended 30 June 2022

	Actual 2022 \$000	Budget 2022 \$000	Actual 2021 \$000
Cash flows from operating activities			
Receipts from the Crown	5,930	5,930	5,030
Interest received	6	2	1
Receipts from other revenue	89	-	102
Payments to suppliers	(1,496)	(1,816)	(1,139)
Payments to employees	(3,379)	(3,988)	(3,054)
Goods and services tax (net)	(20)	(3)	22
<i>Net cash flow from operating activities</i>	<i>1,130</i>	<i>125</i>	<i>962</i>
Cash flows from investing activities			
Purchases of property, plant and equipment	(23)	-	(58)
Purchase of intangible assets	-	(25)	-
<i>Net cash flow from investing activities</i>	<i>(23)</i>	<i>(25)</i>	<i>(58)</i>
Net increase/(decrease) in cash and cash equivalents	1,107	100	904
Cash and cash equivalents at 1 July	2,343	2,375	1,439
Cash and cash equivalents at 30 June	3,450	2,475	2,343

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Reconciliation of net surplus/(deficit) to net cash flow from operating activities

	Actual 2022 \$000	Actual 2021 \$000
Net surplus/deficit	963	978
<i>Add/(less) non-cash items</i>		
Depreciation and amortisation expense	31	45
Lease make good provision and lease incentive	(7)	(1)
Total non-cash items	24	44
<i>Add/(less) movements in working capital items</i>		
Debtors and other receivables	11	(6)
Creditors and other payables	132	(50)
Employee entitlements	-	(4)
Net movements in working capital items	143	(60)
Net cash flow from operating activities	1,130	962

The accompanying notes form part of these financial statements. Explanations of major variances from budget are provided in note 17.

Statement of accounting policies

Reporting entity

The New Zealand Productivity Commission Te Kōmihana Whai Hua o Aotearoa (the Commission) is a Crown entity in terms of the Crown Entities Act 2004. It was established under the New Zealand Productivity Commission Act 2010 and its parent is the Crown. The Commission's principal activities are to:

- undertake in-depth inquiries on topics referred to it by the Government;
- carry out productivity-related research that assists to improve productivity over time; and
- promote public understanding of productivity-related matters.

The Commission is a public benefit entity (PBE) for financial reporting purposes. The financial statements for the Commission are for the year ended 30 June 2022, and were approved by the Board on 28 February 2023.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The Commission has applied the suite of Tier 2 *Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS 1 RDR 28-3)* in preparing the 30 June 2022 financial statements. The Commission has expenses of less than \$30 million.

Measurement base

The financial statements have been prepared on a historical cost basis. Cost is

the fair value of the consideration given in exchange for assets.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Commission is New Zealand dollars.

Changes in accounting policies

The International Financial Reporting Interpretations Committee issued an agenda decision whereby a customer does not recognise an intangible asset from customisation and configuration costs arising from software as a service arrangement if the supplier demonstrates control of the software. The new accounting policy is effective from 1 July 2021 and must be applied retrospectively.

There have not been any implementation costs capitalised from software as a service arrangement, therefore, this change in accounting policy does not have an impact on the Commission.

There have been no other changes in accounting policies during the financial year.

Comparatives

When the presentation or classification of items in the financial statements are amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period, unless it is impractical to do so.

Accounting standard effective 30 June 2022

An amendment to PBE IPSAS 2 Cash Flow Statements require entities to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes. The Commission does not have cash flow from financing activities, therefore, a disclosure has not been presented.

Standards issued and not early adopted

Standards and amendments, issued but not yet effective, that have not been early adopted are:

PBE IPSAS 41 Financial Instruments

The XRB issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods ending on or after 30 June 2023. Although the Commission has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9. The Commission does not intend to adopt the standard early.

PBE FRS 48 Service performance reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 30 June 2023. The Commission has determined the main impact of the new standard is that additional information will need to be disclosed on those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information.

Significant accounting policies

The significant accounting policies which materially affect the measurement of financial performance, position and cash flows have been applied consistently for all reporting periods covered by these financial statements. The policies satisfy the concepts of relevance and reliability ensuring the substance of the underlying transactions or other events is reported. Significant accounting policies are included in the notes to which they relate.

Goods and services tax

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is

not recoverable as input tax then it is recognised as part of the related asset or expense. The net GST recoverable from, or payable to Inland Revenue (IR) is included as part of receivables or payables in the *Statement of Financial Position*.

The net GST paid to, or received from IR, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the *Statement of Cash Flows*.

Income tax

The Commission is a public authority and consequently is exempt from income tax under section CW 38 of the Income Tax Act 2007. Accordingly, no provision has been made for income tax.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board. The budget figures are unaudited and have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Performance outputs

Direct costs are charged directly to outputs. Research personnel costs are allocated to outputs based on the time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs of each output.

Critical accounting estimates and assumptions

In preparing these financial statements the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies:

Leases classification

Determining whether a lease agreement is a finance lease, or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Commission. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the *Statement of Financial Position* as property, plant and equipment, whereas for an operating lease no such asset is recognised. The Commission has exercised its judgement on the appropriate classification of equipment leases and has determined that none of the lease arrangements are finance leases.

Breach of statutory deadline

Section 156(1)(a) of the Crown Entities Act 2004 required the Commission to provide the Auditor-General with the Commission's financial statements and statement of performance by 30 September 2022. The Commission was only able to provide the Auditor-General with the statement of

performance in December 2022. This meant the Auditor-General was unable to deliver an audit report by 31 December 2022, as required by Section 156(3)(b) of the Crown Entities Act 2004. Delivery of the Statement of Performance to Audit New Zealand was delayed due to Commission staff capacity and Audit NZ availability.

Notes to the financial statements

Note 1 Revenue

Revenue is measured at fair value of consideration received or receivable. Revenue is derived through the provision of outputs for the Crown, services to third parties and investment income.

Revenue from the Crown

Revenue from the Crown transactions are considered to be non-exchange transactions. The Commission is primarily funded through revenue received from the Crown. The funding is restricted in its use for the purpose of the Commission meeting its objectives as specified in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, the Commission considers there are no conditions attached to the funding.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Interest

Interest revenue is recognised using the effective interest method.

Other revenue

Other revenue transactions are considered to be exchange transactions. They are personnel costs recovered for employees who work on secondment in other organisations.

Other revenue is recognised as revenue when earned and is reported in the financial period to which it relates.

Note 2 Personnel costs

Personnel costs are recognised in the period to which they relate.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus or deficit as

incurred. The Commission also operates a 'total remuneration' policy, such that employer KiwiSaver contributions are part of total remuneration and not an additional benefit.

Defined benefit schemes

The Commission does not make employer contributions to any defined benefit superannuation schemes.

	Actual 2022 \$000	Actual 2021 \$000
Salaries and contractors	2,583	2,308
Board fees	651	656
Employer contributions to KiwiSaver defined contribution superannuation plan	67	58
Other entitlements	6	(9)
Bonuses	5	23
Other	87	14
Total personnel costs	3,399	3,050

Employee remuneration

	Number of employees 2022	Number of employees 2021
\$100,000 – 109,999	3	3
\$110,000 – 119,999	1	1
\$120,000 – 129,999	2	-
\$130,000 – 139,999	2	3
\$150,000 – 159,999	-	-
\$160,000 – 169,999	-	1
\$170,000 – 179,999	2	2
\$180,000 – 189,999	1	-
\$190,000 – 199,999	-	1
\$200,000 – 209,999	1	-
\$210,000 – 219,999	-	2
Total employees	12	13

Key personnel compensation

	Remuneration 2022 \$000	Full-time equivalent members 2022	Remuneration 2021 \$000	Full-time equivalent members 2021
Board members	648	1.9	649	1.9
Leadership team	803	4.0	715	3.3
Total key management personnel remuneration	1,451	5.9	1,364	5.2

Key management personnel are Commissioners, Directors.

Board fees

Commissioners are appointed by the Crown and are the Board for the purposes of the Crown Entities Act 2004. All Commissioners are part-time and their fee is set by the Remuneration Authority.

	Actual 2022 \$000	Actual 2021 \$000
Ganesh Nana (Chair)	305	140
Murray Sherwin (former Chair)	-	131
Gail Pacheco	160	163
Andrew Sweet	87	155
Bill Rosenberg	96	60
Total Board member remuneration	648	649

During the financial year, payments made, or payable to Lesley Mackle, committee member appointed by the Board, but who is not a Board member, was \$4,000 (2021: \$7,000).

The Commission has not provided a deed of indemnity to Board members for activities undertaken in the performance

of the Commission's functions. The Commission has not affected Directors' and Officers' liability and professional indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees. No Board or committee members received compensation or other benefits in relation to cessation (2021: Nil).

Note 3 Other expenses

	Actual 2022 \$000	Actual 2021 \$000
Fees to principal auditor for financial statement audit	36	34
Consultancy	884	375
Information technology and telecommunications	218	276
Travel and transport	20	25
Operating lease expense (office rental)	208	196
Communication and engagement	56	19
Training and development	17	38
Other expenses	155	135
Total other expenses	1,594	1,098

Office rental

The non-cancellable operating lease expense relates to the lease of the 15th floor of Fujitsu Tower in Wellington. The lease expires in March 2025. The Commission as lessee exercised its right to renew in April 2016 with a rental rebate of \$1,031.92 (GST exclusive) per month for 48 months from April 2021. A rental review was completed and applied from Oct 2021.

As the lessor retains substantially all the risk and rewards of ownership of the leased

property, the operating lease payments are recognised in the surplus or deficit only in the period in which they occur.

Any lease incentive received or obligations to make good on the condition of the leased premises are recognised in the surplus or deficit over the term of the lease.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2022 \$000	Actual 2021 \$000
Not later than one year	207	186
Later than one year and not later than five years	363	560
Total non-cancellable operating leases	570	746

Note 4 Cash and cash equivalents

Cash and cash equivalents include operating and savings bank accounts held with Westpac. The carrying value of cash at bank and cash equivalents approximates fair value.

The Commission is only permitted to spend its cash and cash equivalents within the scope and limits of its appropriation.

	Actual 2022 \$000	Actual 2021 \$000
Operating bank account	294	270
Savings bank account	3,156	2,073
Total cash and cash equivalents	3,450	2,343

Note 5 Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. The carrying value of debtors and other receivables approximates their fair value.

All trade debtors are due within 30 days. Trade debtors have been assessed for impairment based on expected credit losses. No provision for expected credit losses have been made as at 30 June 2022 (2021: \$38,000).

	Actual 2022 \$000	Actual 2021 \$000
Receivables – exchange transactions		
Debtors and other receivables	-	38
Prepayments	54	47
Receivables – non-exchange transactions		
GST receivable	36	16
Total debtors and other receivables	90	101

Note 6 Property, plant and equipment

Property, plant and equipment consists of the following asset classes: information technology equipment, furniture, office equipment, and leasehold improvements. The capitalisation thresholds are:

- **Information technology equipment**
\$500 and over
- **Furniture**
No threshold
- **Office equipment**
\$500 and over
- **Leasehold improvements**
No threshold

Additions

An item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Commission beyond one year or more, and the cost of the item can be measured reliably. Property, plant and equipment is recorded at historical cost less accumulated depreciation and any impairment losses. Depreciation on items of property, plant and equipment acquired in stages does not commence until the item of property, plant and equipment is in its final state and ready for its intended

use. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised in the surplus or deficit as expenditure when incurred.

Disposals

Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

Depreciation

Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The residual values and remaining useful lives of property, plant and equipment are reviewed annually. This review includes a test of impairment to ensure the carrying amount remains recoverable. Any impairment losses are recognised in the surplus or deficit. The estimated useful lives of the major asset classes are:

- **Information technology equipment**
3 to 5 years
- **Furniture**
3 to 10 years
- **Office equipment**
5 to 10 years
- **Leasehold improvements**
3 to 10 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

	IT assets \$000	Furniture \$000	Office equipment \$000	Leasehold improvements \$000	Total \$000
Cost or valuation					
Balance at 1 July 2021	217	128	100	266	711
Additions	18	-	7	-	25
Disposals	(3)	-	-	-	(3)
<i>Balance at 30 June 2022</i>	<i>232</i>	<i>128</i>	<i>107</i>	<i>266</i>	<i>733</i>
Accumulated depreciation and impairment losses					
Balance at 1 July 2021	171	120	79	264	634
Depreciation expense	18	1	5	1	25
Disposals	(1)	-	-	-	(1)
<i>Balance at 30 June 2022</i>	<i>188</i>	<i>121</i>	<i>84</i>	<i>265</i>	<i>658</i>
Carrying amounts					
<i>At 30 June 2022</i>	<i>44</i>	<i>7</i>	<i>23</i>	<i>1</i>	<i>75</i>
Cost or valuation					
Balance at 1 July 2020	175	127	86	265	653
Additions	42	1	14	1	58
Disposals	-	-	-	-	-
<i>Balance at 30 June 2021</i>	<i>217</i>	<i>128</i>	<i>100</i>	<i>266</i>	<i>711</i>
Accumulated depreciation and impairment losses					
Balance at 1 July 2020	144	118	75	263	600
Depreciation expense	27	2	4	1	34
Disposals	-	-	-	-	-
<i>Balance at 30 June 2021</i>	<i>171</i>	<i>120</i>	<i>79</i>	<i>264</i>	<i>634</i>
Carrying amounts					
<i>At 30 June 2021</i>	<i>46</i>	<i>8</i>	<i>21</i>	<i>2</i>	<i>77</i>

Property, plant and equipment have been assessed for impairment and no provisions for impairment have been made.

Note 7 Intangible assets

Software acquisition

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Assets are capitalised if the purchase price is \$5,000 or greater.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The Commission's intangible assets are acquired software with useful life between 3 to 15 years.

	Actual 2022 \$000	Actual 2021 \$000
Cost or valuation		
Balance at 1 July	194	194
Additions	-	-
<i>Balance at 30 June</i>	194	194
Accumulated depreciation and impairment losses		
Balance at 1 July	171	160
Amortisation expense	6	11
<i>Balance at 30 June</i>	177	171
Net carrying amount	17	23

Note 8 Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Creditors and other payables are non-interest bearing

and are settled on commercial terms and conditions, normally 30 days or less. Therefore, the carrying value of creditors and other payables approximates their fair value.

	Actual 2022 \$000	Actual 2021 \$000
Payables – exchange transactions		
Accrued expenses	264	91
Payables – non-exchange transactions		
Taxes payable (PAYE)	41	40
Other payables	5	47
Total creditors and other payables	310	178

Note 9 Lease incentive

Any unamortised lease incentive received is recognised as a liability in the *Statement of Financial Position*.

	Actual 2022 \$000	Actual 2021 \$000
Current portion	12	12
Non-current portion	22	34
Total lease incentive	34	46

Note 10 Employee entitlements

At balance date, any unpaid employee entitlements earned by employees for salaries and annual leave are recognised as a liability in the *Statement of Financial Position* and recognised in the surplus or deficit. Entitlements are calculated on an actual entitlement basis at current rates of remuneration. The Commission recognises a liability and an expense for bonuses where it is contractually obliged to pay

them, or where a past practice has created a constructive obligation. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave to be taken in future years by employees of the Commission is estimated to be less than the annual entitlement for sick leave.

The Commission does not offer retirement or long service leave benefits to its employees.

	Actual 2022 \$000	Actual 2021 \$000
Accrued annual leave	120	119
Accrued salaries and wages	63	64
Total employee entitlements	183	183

Note 11 Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Commission is required at the expiry of the lease term to make good any damage caused to its leased office premises, and to remove any fixtures or fittings installed by the Commission. The Commission has the option to renew this lease, which affects the timing of expected cash outflows to make-good the premises. The cash flows associated with provision are expected to occur in March 2025. Information about the leasing arrangement is disclosed in note 3.

	Actual 2022 \$000	Actual 2021 \$000
Lease make-good		
Non-current portion	76	71
Total provisions	76	71

Movements within the provision:

	Actual 2022 \$000	Actual 2021 \$000
Balance at 1 July	71	65
Additional provisions made	5	6
Balance at 30 June	76	71

Note 12 Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contributed capital
- accumulated surplus / (deficit)

The Commission is subject to the financial management and accountability provisions of the Crown Entities Act 2004,

which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, while remaining a going concern.

	Actual 2022 \$000	Actual 2021 \$000
Balance at 1 July	2,066	1,088
Surplus/(deficit) for the year	963	978
Balance at 30 June	3,029	2,066

Note 13 Contingencies

The Commission has no contingent liabilities and no contingent assets as at 30 June 2022 (2021: Nil).

Note 14 Events after the balance date

There were no significant events after balance date (2021: Nil).

Note 15 Financial instruments

	Actual 2022 \$000	Actual 2021 \$000
Financial assets held at amortised costs		
Cash and cash equivalents	3,450	2,343
Debtors and other receivables	-	38
Total financial assets held at amortised cost	3,450	2,381
Financial liabilities measured at amortised cost		
Creditors and other payables	269	158
Total financial liabilities measured at amortised cost	269	158

Financial instrument risks

The Commission is a party to financial instrument arrangements as part of its everyday operations. These financial instruments include bank accounts, accounts receivable, and accounts payable. The Commission has policies to manage the risks associated with financial instruments. The Commission seeks to minimise exposure from financial instruments and does not enter into speculative financial instrument transactions.

Market risk

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash flow interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Commission's exposure to cash flow interest rate risk is limited to on-call bank accounts and short-term deposits, arising from the investment of surplus cash due to the timing of cash inflows and outflows.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Commission, causing it to incur a loss. The Commission invests surplus cash with registered banks. In the normal course of business, the Commission is exposed to credit risk from cash and term deposits with banks, debtors and other receivables. For each of

these, the maximum credit exposure is best represented by the carrying amount in the *Statement of Financial Position*. Westpac Banking Corporation is the Commission's main bank and has a S&P Global Ratings of AA-.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty raising liquid funds to meet commitments as they fall due. The Commission has a low exposure to liquidity risk as it does not enter into credit arrangements, except for those available from suppliers as part of normal operating agreements. The Commission manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and aims to maintain sufficient funds in current and on-call bank accounts and short-term fixed deposits to meet forecast liquidity requirements.

Note 16 Related party transactions

The Commission is a wholly-owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that is reasonable to expect the Commission would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example,

Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key personnel

Commissioners are appointed by the Crown and are the Board for the purposes of the Crown Entities Act 2004. In addition to their role with the Commission, Commissioners have other interests and may serve in positions with other organisations, including organisations to which the Commission is related. Potential conflicts of interest are declared in an interests register. No Commissioner was exempted during the year from the requirement to not vote or take part in any decision despite being interested.

Refer to note 2 for a breakdown of key management personnel compensation.

Note 17 Explanation of major variances against budget

The net surplus for the Commission, from 1 July 2021 to 30 June 2022 was \$963,000 (2020–21: net surplus of \$978,000). In terms of the surplus of \$963,000, the key area of underspend was \$616,000 due to personnel vacancy lag particularly in senior positions, \$177,000 mainly due to Commissioner vacancy and \$188,000 in communications due to a change in planned communications activity.

Our governance and management

Board



Dr. Ganesh Nana
Chair



Dr. Diane Ruwhiu
Commissioner



Dr. Bill Rosenberg
Commissioner

Leadership team



Shelley Catlin
Director, Operations



Philip Stevens
Economics &
Research Director



Julian Wood
Inquiry Director



Catherine Proffitt
Inquiry Director

