

Xero Submission

A fair chance for all
Inquiry into Terms of Reference
27 August 2021





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Productivity Commission
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Kia ora Jo,

Submission from Xero New Zealand on 'A fair chance for all: breaking the disadvantage cycle'

On behalf of Xero, congratulations on having the courage to tackle such a vast and critically important subject in this Inquiry into the Terms of Reference (**Terms Inquiry**) for forthcoming full inquiry into 'A fair chance for all: breaking the disadvantage cycle' (**Main Inquiry**). Setting the terms of reference to capture the right content and scope and ask the right questions will be the base upon which a successful Main Inquiry can be built.

The issue of disadvantage goes to the heart of inequality and Xero is concerned at the apparent increasing rate of inequality across Aotearoa. The word 'disadvantage', whilst being able to be objectively measured against agreed community definitions and key data collected against those definitions, retains a large subjective element making it closely linked to a person's individual wellbeing. It is also broad, covering a wide spectrum of concerns from child poverty, for example, through to digital exclusion. However it is defined, addressing poverty, inequality and disadvantage are challenges that require a coordinated response across our entire society: education, economics, health, tax, welfare, wellbeing and inclusion.

Xero does not profess to have the expertise to address these challenges. We are not qualified to provide comprehensive feedback on addressing the myriad issues across the full breadth of this Terms Inquiry. However, we value the opportunity to make comments in support of this Terms Inquiry's objectives where we do have specific expertise. We want to be clear that in advocating in our areas of expertise and experience, this in no way undermines the critical importance of addressing other crippling areas of disadvantage which must be addressed in order for Aotearoa and its people to reach our potential.

We will briefly address the four primary questions asked under the Terms Inquiry, we would be very happy to meet or discuss these comments if there is interest and we commit to closely watching and playing a role in the Main Inquiry in due course.

Again, thank you for the opportunity to make these brief comments.



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Nga mihi nui

A handwritten signature in black ink, appearing to read "Craig Hudson".

Craig Hudson

Managing Director

Xero, New Zealand and Pacific Islands



Introduction

1. About Xero

- 1.1. Xero is one of the fastest-growing software as a service companies globally, providing online software to help change the way small business is done. Founded in 2006 in New Zealand, Xero is headquartered in Wellington, and has a global reach, leading the New Zealand, Australian, and United Kingdom cloud accounting markets, while employing more than 3,600 people globally. Xero connects more than 2.7 million subscribers across 180 countries with an ecosystem of over 1,000 third-party apps and 300 plus connections to banks and financial service providers.
- 1.2. Xero is committed to improving New Zealand's economic productivity and improving the lives of small business owners, their staff and their families. Xero currently has well over half of the New Zealand small business economy as customers.

2. Shared values

- 2.1. Before we answer the four specific consultation questions as set out by the Productivity Commission (**Commission**) we would like to take this opportunity to make a general observation about He Ara Waiora and its proposed deployment as the core conceptual basis of the Commission's inquiry. Specifically we wish to congratulate the Commission and the Government on the foresight in proposing a conceptual framework that, if deployed, we feel could stand New Zealand in a truly exceptional position globally.

Xero as a company is well known for a heavy emphasis on the wellbeing of its staff. Along with how to help our small businesses thrive, the wellness of our staff sits at the core of everything we do. When we read about the possible deployment of He Ara Waiora we have a strong and immediate sense of shared value with the objectives of the Commission and the Government and as such we wish to voice our complete alignment with the objectives of the Main Inquiry and highlight the international scale of the opportunity before us.

Consultation Questions

3. What are the main aspects of disadvantage that should be investigated in this inquiry?

- 3.1. The main area of disadvantage that Xero sees in relation to our business, our customers and New Zealand's productivity and wellbeing is in our collective failure to harness the benefits of technology. This type of disadvantage has been referred to in whole or in part under many labels, including digital exclusion, data illiteracy and techno-poverty, to name just a sample.
- 3.2. Xero would like to see the focus on improving productivity and wellbeing through technology remain strong in this inquiry. In particular, Xero agrees with the Commission on the importance of clear policy to drive productivity improvements, again particularly in relation to technology and the broader digital environment. The Commission summarised this point in its *Future of Work* inquiry in 2019:



"New Zealand's problem has not been too much technological change and progress; it has been too little. By failing to pick up and spread the world's best technologies, New Zealand has lost opportunities to gain higher living standards. The path to greater wellbeing lies with more technology adoption and diffusion..."

"Well-designed and coordinated government responses could allow New Zealand to fully realise the potential of disruptive technologies for economic productivity and social prosperity."

- 3.3. The Commission is absolutely correct in recognising that the path to greater wellbeing lies with more technology and diffusion. Xero would very much like to see this focus further investigated through this inquiry.
- 3.4. Technology is a critically important component in breaking the cycle of disadvantage. If our children grow up without access to technology and the education to harness its potential then they will continue to be significantly disadvantaged and excluded from a digital society and economy.

4. Where should the Commission focus its research effort? Where should government focus its effort on finding solutions?

- 4.1. We are choosing to bundle our answers to these two questions together.
- 4.2. The Commission's research must be broad and wide-ranging. It must investigate the cause and implications of widespread poverty and inequality, and recommend solutions to it. However, again from Xero's limited perspective, we would like to see explicit research into the role of digital technology in addressing inequality.
- 4.3. *The role of STEM education*
- 4.4. In particular, we would welcome focus on the role of education in building a more inclusive and equal society through technology, with a focus on science, technology, engineering and mathematics (**STEM**). We would like to see a focus on how technology adoption can enhance productivity, wealth generation and opportunities for increased economic participation.
- 4.5. *The role of our small businesses and technology*
- 4.6. If the Commission looks across our economy, we must also focus on how we can empower, grow and improve the productivity of small businesses. In doing so we can improve wellbeing and create high value, sustainable jobs and growth which are a condition of addressing disadvantage.
- 4.7. Approximately 97 percent of businesses in New Zealand are small businesses with 20 or fewer employees. These small businesses contribute approximately 25 percent of GDP and 30 percent of overall employment.



- 4.8. In 2020, Xero commissioned the New Zealand Institute of Economic Research to examine the economic benefits of accelerated uptake of cloud-based digital technology. The economic modelling in this report found that a 20 per cent uptake in cloud-based technology could increase GDP by between 1.2 – 2.1 per cent, adding up to \$6.2 billion to the New Zealand economy annually.
 - 4.9. The report found that this technology uptake could lift household spending by \$2.6 - \$4.6 billion, increase business output by \$4.1 - \$7.3 billion, increase real wages by \$1.8 - \$1.9 billion and grow exports by between \$341 - \$618 million. We must ensure we take this opportunity.
 - 4.10. Additional Xero research has highlighted that small businesses tend not to invest in technology to drive greater productivity due to the barriers of cost, lack of capability and not having sufficient time.
 - 4.11. If we can address these challenges and accelerate our collective uptake and use of technology, then we begin to build a stronger, more resilient and more inclusive economy through which to tackle the perennial problem of disadvantage.
 - 4.12. *OECD best practice on digital policy*
 - 4.13. As a general observation, international comparisons both on policy and outcomes will enrich the Main Inquiry and should therefore ideally be included in the terms of reference.
 - 4.14. Specifically, with New Zealand an active member of the Organization for Economic Cooperation and Development (OECD) and Xero, a New Zealand company but with a global footprint and perspective, we feel reference to International best practice in the area of digital public policy, an area of focus for the OECD, would be a distinct feature to consider. In this regard we would recommend consideration be given to Going Digital Integrated Policy Framework, available at <https://www.oecd.org/going-digital/framework>).
 - 4.15. This holistic policy framework addresses six critical areas of policy focus all aimed at ensuring digital transformations across the world actually work for the wellbeing and growth of our people. These areas are (i) access, (ii) use, (iii) innovation, (iv) jobs, (v) society, (vi) trust, and (vi) market openness, each of which track in some way to the areas of focus of both this Terms Inquiry and the Main Inquiry.
- 5. Is there anything else that you would like to see covered in this inquiry?**
- 5.1. Almost certainly yes, but not in areas where Xero has the experience or expertise to comment.
 - 5.2. We note there is already an immigration inquiry underway and this has become increasingly relevant and important in the context of skilled labour shortages which are now holding back investment, growth and productivity.





- 5.3. It is critical to addressing disadvantage and wellbeing that we design policy and interventions in the context of where our economy, our society and our world is heading. Our future lies in technology and our success lies in embracing it and benefiting from what it has to offer.
- 5.4. With the right commitments and policy settings the development of a genuinely inclusive digital economy, backed by a modern STEM-focused education system, can play a vital role in helping break the cycle of disadvantage.

