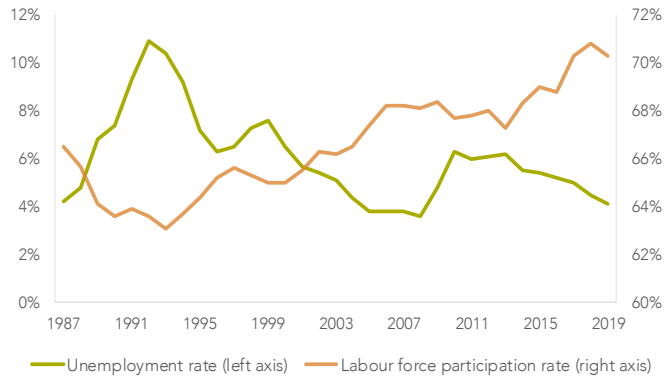


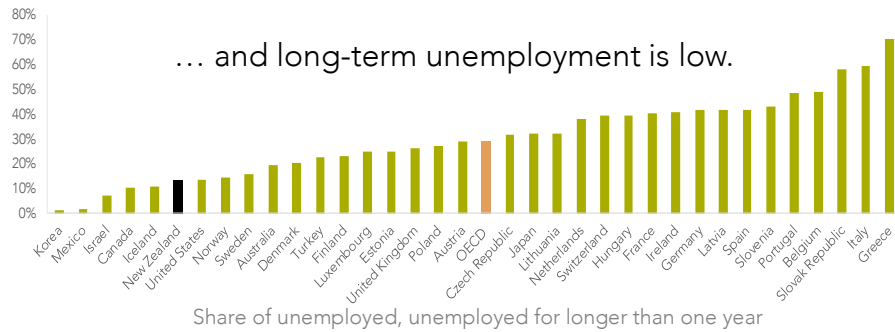
The good ...

Unemployment is low and labour-force participation is high ...



— Unemployment rate (left axis) — Labour force participation rate (right axis)

... and long-term unemployment is low.



Share of unemployed, unemployed for longer than one year

Is the New Zealand economy just more people pushing a broken-down car?



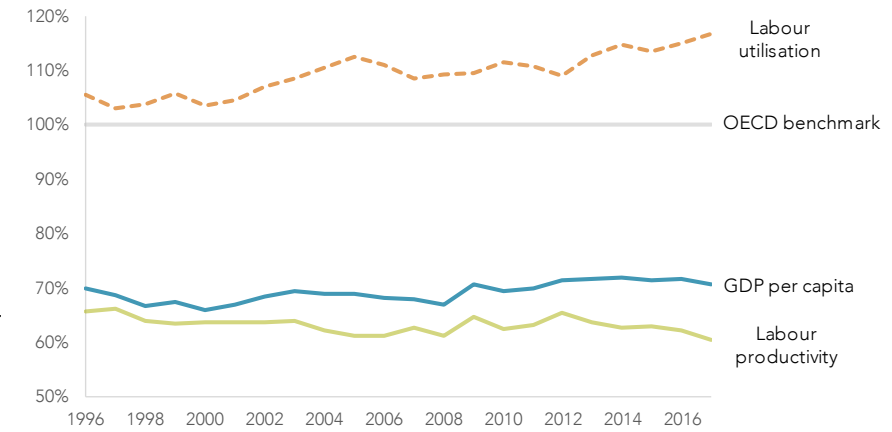
The economy has grown on the back of a growing population and increased labour-force participation, but low labour productivity. This is like recruiting more people to push a broken-down car, rather than fixing its engine.

Fixing the engine is about improving productivity. Technology adoption is a key means of enhancing labour productivity to achieve higher incomes and living standards.

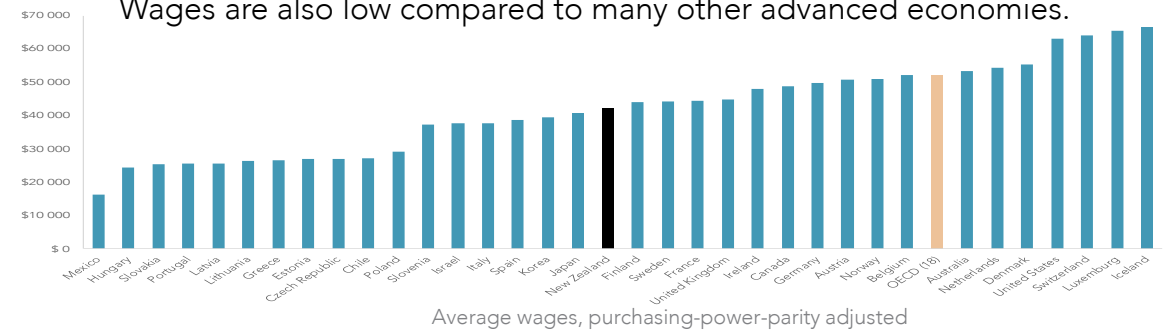
... and the bad

Labour utilisation is high, but labour productivity growth is persistently weak ...

... which has contributed to low GDP per capita relative to many other advanced economies.

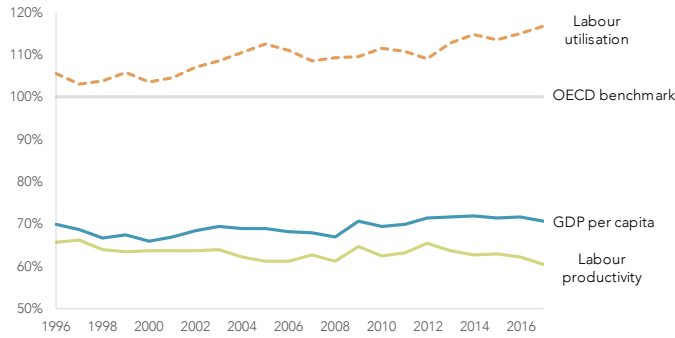


Wages are also low compared to many other advanced economies.

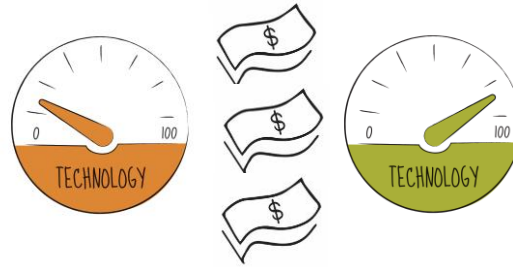


Average wages, purchasing-power-parity adjusted

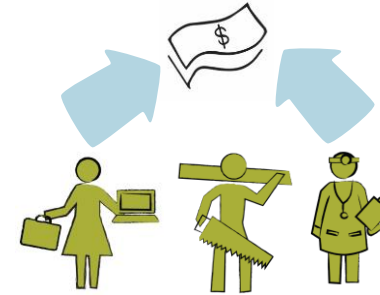
1 The economy has grown on the back of increased labour force participation, but low labour productivity growth



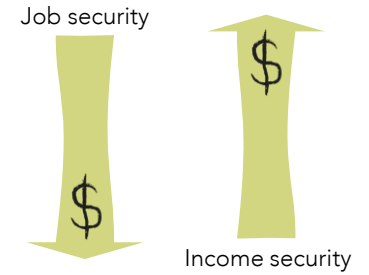
2 Firms need to adopt more technology to improve labour productivity, but will not do so if they face high adjustment costs



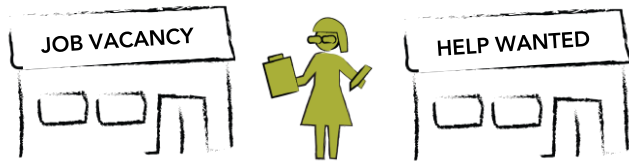
3 Labour-market settings that favour individual job security can increase these costs



4 An alternative to job security is to provide income security in the event of job loss



5 The best help for workers who may lose their jobs is a dynamic labour market with many opportunities to find more work that suits them



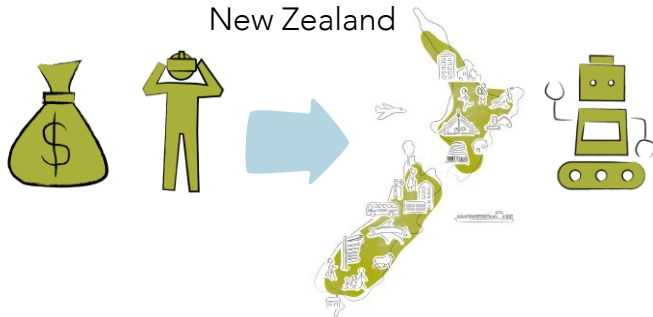
6 Options to provide more income security to people between jobs include portable individual redundancy accounts, unemployment insurance, or changes to benefits & tax credits



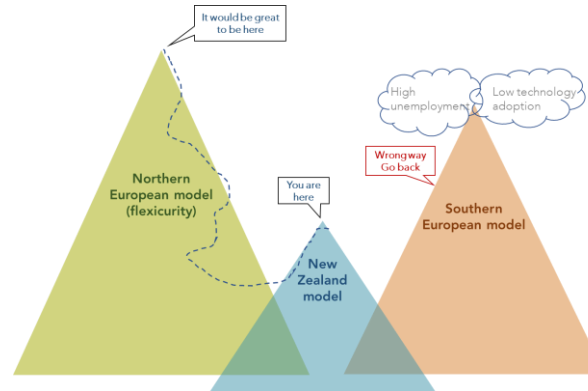
7 Labour-market programmes like jobs-focused training could be integrated into each of these options



8 This "flexicurity" model could support workers through change, reduce adjustment costs for firms, & help increase tech adoption in New Zealand



9 Moving to a new labour-market model for New Zealand would be a big transition ...



10

... but cooperation between workers, government and firms could improve productivity and living standards for all

