

# Hon Grant Robertson

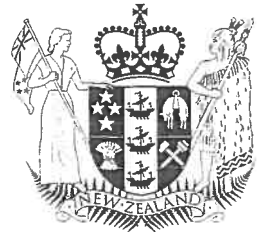
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MP for Wellington Central

Minister of Finance

Minister for Sport and Recreation

Associate Minister for Arts, Culture and Heritage



25 FEB 2019

Mr Murray Sherwin  
Chair  
Productivity Commission  
PO Box 8036  
The Terrace  
WELLINGTON 6143

Dear Murray

**TERMS OF REFERENCE FOR AN INQUIRY INTO TECHNOLOGICAL CHANGE,  
DISRUPTION AND THE FUTURE OF WORK**

I am pleased to refer to you the terms of reference for a Productivity Commission inquiry into *Technological Change, Disruption and the Future of Work*.

I look forward to receiving the final report by March 2020, and encourage you to publish a series of shorter reports throughout your inquiry as you generate findings and recommendations. This will enable greater alignment of your work with the policy process, as our Government works to ensure just economic transitions.

I wish you all the best as you commence this inquiry and look forward to your results.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Grant Robertson'.

Hon Grant Robertson  
**Minister of Finance**

## **Terms of Reference: New Zealand Productivity Commission Inquiry into Technological Change, Disruption and the Future of Work**

Issued by the Minister of Finance, the Minister of Education, the Minister for Economic Development, the Minister for Workplace Relations and Safety and the Minister for Government Digital Services (the “referring Ministers”). Pursuant to sections 9 and 11 of the New Zealand Productivity Commission Act 2010, we hereby request that the New Zealand Productivity Commission (“the Commission”) undertake an inquiry into how New Zealand can maximise the opportunities and manage the risks of disruptive technological change and its impact on the future of work and the workforce.

### **Context**

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Technology, and its rapid development and adoption, is one of the critical dynamics in the changing world of work. The transition to a low-emissions economy has begun and will accelerate, providing scope for New Zealand to increase its focus on technology and changing economic opportunities. While technological innovation and disruption is nothing new, the increasingly pervasive nature of disruptive technologies and the pace of change will create significant opportunities for New Zealand to achieve a productive, sustainable, and inclusive economy. However, systemic, rapid change can be daunting and it is important for government to understand and respond to this prospective change so that these opportunities are realised and the risks managed. The opportunities and risks also need to be communicated in a clear and accessible way to New Zealanders. Technology is changing how government interfaces with the public and business, so government needs to be ready to respond to change in an agile and adaptive manner.

It is difficult to predict exactly what technological change will mean for New Zealand and how widespread disruption will be, but impacts are being felt already in the form of changing business models and some jobs being replaced or transformed by automation. While non-government parties (businesses, consumers and communities) will to a large extent drive change, government also has an important role to play by actively managing the impacts on different groups (positive and negative), and using policy and regulation to promote the innovative and beneficial use of technology across the public, business and not-for-profit sector.

New Zealand has had much success in labour market participation and employment on the whole but some groups are under-represented in labour market participation and employment. While technological disruption may pose fresh challenges in terms of policy and regulatory changes needed to help workers and firms adjust, it also provides opportunities to reduce barriers for participation. The government must actively manage a just transition, such as through its range of initiatives that support workplace productivity, regional labour markets and filling skills gaps. Finally, the government has a vital role in how it chooses to promote the innovative use of technology in the public sector and business community and to ensure a level playing field for different technologies.

Well-designed and coordinated government responses could allow New Zealand to:

- fully realise the potential of disruptive technologies for economic productivity and social prosperity;
- improve the services provided by government and increase the efficiency and effectiveness with which government functions; and
- provide an enabling environment without unnecessary barriers to desirable change, while effectively managing risks.

Together, these would also help to prepare New Zealand for any rapid labour displacement and distributional impacts.

### **Scope and Aims**

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The purpose of this inquiry is to provide an independent assessment of the scale and potential impacts of rapid technological change and its disruptive impact on the future of work and the workforce in New Zealand. The overriding aim is to harness changes to maximise the wellbeing of New Zealanders. The assessment should provide material for future government policy development and other initiatives to prepare the country for a productive, sustainable, and socially-inclusive future, despite uncertainties around the impact of technology.

For this inquiry, 'disruption' is primarily about the impacts of technological change. The inquiry should acknowledge the potential for disruption to have both positive and negative impacts.

Two broad questions should guide the inquiry:

- What are the current and likely future impacts of technological change and disruption on the future of work, the workforce, labour markets, productivity and wellbeing?
- How can the Government better position New Zealand and New Zealanders to take advantage of innovation and technological change in terms of productivity, labour-market participation and the nature of work?

We encourage the Commission to break the inquiry down into a series of shorter, related reports, published throughout the term of the inquiry, with a final report summarising findings and providing recommendations. For example, the topics could be as follows:

1. A scene setter:
  - A definition of disruption;
  - An analysis of the status quo in New Zealand, including the government's institutional and regulatory ability to flexibly adapt to a rapidly changing environment, and to support the diffusion of innovation;
  - The likely nature and scale of the impact of technology change on labour-market participation, under-employment, productivity, wages, education and skill requirements, and the nature of jobs (e.g. the gig economy);

- The likely scale and pace of technology change, including across regions and industries, and the distributional impacts within the population; and
  - New Zealand's distinctive features in this space, and its comparative advantages and disadvantages (e.g. relatively flexible labour market and high employment, significant incidence of low skills).
2. How can active labour market policies, including their interaction with the welfare system, assist (or hinder) displaced workers to transition to different types of work and work places?
  3. How can New Zealand's education and training systems be more effective in enabling adaptation to technological disruption?
  4. How can we address the digital divide in New Zealand?
  5. Identifying how technological change will affect different groups of workers, and therefore what are the appropriate types and levels of support required.
  6. How can the regulatory environment enable adaptation to change, provide opportunities for new technologies to be tested and understood in New Zealand, and become more responsive to disruptive change?
  7. How can government best encourage technology innovation and uptake, with a focus on wage growth and the development of appropriate high-engagement, high-performance actions and behaviours in New Zealand workplaces and industries?
  8. How can New Zealand firms improve their employees' management capability in terms of adapting to technological change?

## **Report and Recommendations**

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The inquiry should explore New Zealand and international research and experience related to the questions above. However, the focus should be on practical applications relevant to New Zealand's circumstances.

Given the uncertainty around future technology and its impact, the inquiry is not expected to make detailed, quantified predictions of impacts. Rather, it should give a sense of the nature and relative scale of impacts in different scenarios.

The inquiry should have a long-term focus, with recommendations that can be implemented in the short- to medium-term. It should provide a resource for government to develop policies and programmes that make the most of the technological opportunities on offer and allow New Zealanders to face an uncertain future with confidence.

The report should build on previous relevant inquiries undertaken by the Productivity Commission.

The final report should provide recommendations for how New Zealand should manage a transition to a more technically advanced economy in relation to both technology's upside and downside risks, while still maintaining or improving incomes and wellbeing across all groups in the population, through recommendations on appropriate policy settings.

## **Consultation**

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Given that technological change is an issue of national significance, the Commission should consult with a broad range of stakeholders including: central and local government; the Future of Work Tripartite Forum, Future of Work Ministerial Group, the Just Transitions Unit in MBIE, and any new Future of Work groups established in Government agencies; relevant industry and NGO groups, including the NZCTU and Business NZ; academic bodies, businesses, Iwi, and the general public.

This inquiry is intended to complement and take account of existing policy work and other current work by evidence-gathering groups on the future of work and the impacts of technological change. The groups include the Law Commission, the AI Forum, and the OECD.

## **Timeframes**

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The Commission should present a final report to referring Ministers by 31 March 2020.

