

ADVOCACY UPDATE



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KIM CAMPBELL
CEO, EMA

As we head into our election year, we will continue to engage across political parties to ensure the needs of business are placed squarely on the agenda of those seeking office.

We have several items on our wish list for those in charge in the next electoral term and beyond.

We will continue to push for a cross-party commitment for a ground-up review of the resource management system and the many interlocking pieces of legislation that govern the balance between the environment and economic development.

The development of a hard driving governance mechanism to get the job done faster on infrastructure development in Auckland.

Certainty around pay equity by the issues being defined in legislation and a review of the Holidays Act, which continues to be a headache.

We want a continued focus on delivering high quality free trade agreements and an ongoing determination to strip away non-tariff barriers to trade.

Along with a coherent national strategy on how to deal with the large ageing workforce, skills shortage and immigration.

Below we explore some of these further and share other ways we are helping your business succeed.



Potential of ageing workforce

Kiwis are living longer, our population is ageing, even increasing the age of entitlement for Superannuation has been placed on the agenda in the lead up to the election.

But what does an ageing workforce mean for employers?

For many, it's not yet registering as an issue (up to 80% of businesses do not have policies or arrangements in place for an ageing workforce).

But we know the age profile of New Zealand is changing. By 2036 the 0-14 year old category will be flatlining at just under one million people, while the category of 65+ will leap from about 700,000 now to about 1.2 million.

We also know that New Zealand has the second highest employment rate for 50-64 year olds in the OECD and the fourth highest employment rate for 65-69 year olds.

When you overlay this with our ongoing skills shortage and the fact many other economies are facing the same challenges, employers may not be able to find the staff they want in the future. Especially if some of the other major economies look for ways to keep their population (and workforce), New Zealand's ability to import skills may also dwindle.

Which is why we've started to turn our thinking to how employers can look to retain, retrain or recruit mature workers.

We are going to have to move quickly to figure out how to keep their skills up-to-speed and how to help keep them healthy enough to work.

We are working with players such as the Commission for Financial Capability, MBIE, HRINZ, Ministry for Social Development and BusinessNZ to help define how health and the ageing workforce can be better understood in order to deliver employers the programmes and solutions they need to meet the challenge.

This is important for many reasons, but from an employer's perspective, critical to being able to fill a huge projected skills shortage.

In short, it's not long before we will begin to rely on our older workers to continue to work productively and we will need them healthy if we are to mitigate this perfect storm on the international horizon.

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What are your key business issues?

Over the next 12 months or so we are keen to meet up with you to better understand what the key issues are for your business. As the Advocacy team, we focus on how we can be your voice at the table on key issues to help your business succeed.

Therefore we want to hear from you about the major factors that are helping or hindering your business in order to feed this into our wider policy programme. We'd also like to share some of the work we're doing in this area too.

As always, you can contact us via myvoice@ema.co.nz if you have a matter you wish to raise with the Advocacy team.

Power Battle

Our campaign against the proposed shift to geographical pricing for electricity continues to apply the pressure with the Electricity Authority continuing to back down and compromise.

The EA's original proposal was to force those customers furthest away from generation assets to pay more for transmission charges to carry the electricity north on the national grid. The worst affected areas were Auckland and many of the regions north of Taupo with a 116% price rise for transmission charges in Northland.

The threat of that rise has already had an impact with a proposed sawmill project in Northland being put on hold, partly because of the prospect of higher electricity costs.

Some of our members face 8-figure increases in their annual electricity bills, costs that put the future of some major industrial employers in our region at risk.

A third consultation document was issued in December and submissions closed at the end of February. That document proposed some changes to the worst affected provincial regions in New Zealand, including lessening the impact in Northland and Far North, and spread the impact over six years instead of a one-off hit.

But business in Auckland still faces a near \$60 million hit. The EMA remains fundamentally opposed to the proposed changes to national pricing policy and we are hoping the new Energy Minister, Judith Collins, will be more in tune with our argument that national policy for existing electricity assets, should not be changed by a small group of back room regulators in Wellington.

We continue to campaign for the status quo in electricity pricing.

Who pays for Auckland?

One funding answer we are exploring further is congestion charging on the road network through and around Auckland.

The Auckland Transport Alignment Project (ATAP) identified congestion charging as its silver bullet to reducing congestion in the Auckland region, but suggests the technology is 10 years away.

The EMA disagrees and believes the productivity gains for business, the gains in liveability from better mobility around the city and region and potential upside for the environment from reduced traffic flows at peak times, should be captured sooner rather than later.

We are co-funding research with Ports of Auckland, Auckland Airport and Infrastructure New Zealand to quantify those gains, especially in lost productivity for business.

Our members tell us their businesses can do better if they can get around or through Auckland better. Our funding group is trying to find the cost of lost productivity, on a per hour basis, to the Auckland and therefore national economy.

We believe that number will be sufficiently attractive to business and residents to make the case to introduce tolls or congestion charging sooner on the Auckland network, thereby more rapidly funding the \$4 billion shortfall in construction costs for the first 10 year block of

ATAP transport projects and preferably shortening the current 30-year delivery timetable.

We should also stress that we do support both the public and road transport initiatives outlined in ATAP.

Healthy staff – good for business too

It seems obvious, but if your workforce is healthy this pays dividend for employers too.

On a macro level, the direct costs of absence alone amounted to \$1.45b across the economy in 2014. The median cost for each absent employee in 2014 was \$616, which was down from \$837 in 2012.

Non-work related illness and injury was by far the most widespread driver of employee absence followed closely by taking sick leave to care for a family member or dependent.

We know the cost of ill health is 10 times greater than the cost of workplace related injuries or death. While everyone does have times of ill health in their lives, are there underlying causes or issues which can be mitigated?

If employees are healthy and more productive, this is not only better for them as individuals but it has a significant impact for their employers and for the wider economy in general.

Which is why we're working with Southern Cross Health Society and BusinessNZ in the third nationwide Wellness in the Workplace Survey. The key aim of the survey is to have a comprehensive look at the connections between absenteeism, sickness, costs and related workplace issues and practices.

The 2017 Wellness in the Workplace survey is out in market and we encourage you to participate, if you have not already done so via this link <https://www.businessnz.org.nz/surveys/wellness-survey-ema>

Naturally, we will look to share these results later in the year along with analysis around how employers can make best use of the survey findings from a practical day-to-day level through to how this may shape future advocacy and policy work with government.

How do we help export grow?

We're well aware of the complexities thrown our way in 2016 – with Brexit and the Trump Presidency causing disruption on the world stage, especially for our exporters.

A year ago we had some confidence that the Trans-Tasman Pacific Partnership was looking possible. Now, we are faced with resurrecting what we can with the other TPP parties, although this will depend a lot on what the largest participant economy Japan decides to do.

While the US has said it's open to doing bi-lateral deals, it is very much a David and Goliath situation for New Zealand.

Where does that leave our exporters for 2017?

Export of goods and services accounted for 28% (NZ\$70.9 billion) of GDP in 2016. The goal is to grow this to 40% by 2025 – so we've got a way to go yet. One of the ways we can help our export community achieve this is through our free trade agreements (FTAs).

ExportNZ supports the Government's efforts to secure as many high quality free trade deals as it can get. Currently underway are discussions or negotiations with the UK, the EU and Regional Comprehensive Economic Partnership (RCEP which includes 10 ASEAN states, together with Australia, China, India, Japan, Korea and New Zealand).

At the regional level ExportNZ, a division of EMA, has a significant work programme in place that includes networking events, capability building (workshops, seminars, mentoring) inspirational events (conferences, awards events) and trade missions.

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At least two trade missions are planned for this year. One to Thailand and Vietnam in August and the other to Chile and Argentina in late September/early October.

The Air New Zealand Cargo ExportNZ Awards are now seeking entries. As are the 2017 Bay of Plenty ExportNZ Awards from March 15. This is a great opportunity to celebrate your exporting success amongst peers.

Please contact Catherine Lye, Regional Manager ExportNZ Auckland, Waikato and Bay of Plenty at catherine@exportnewzealand.org.nz for further information.

Pay Equity progressing to Bill stage

We are expecting to see how the recommendations on pay equity translate into the legislative framework relatively soon.

The Government accepted the recommendations of the Pay Equity Working Group, with only one modification, late last year. In the next couple of months we are hoping to see the first draft of what the legislation may look like to implement these recommendations.

We are also expecting that given the complex nature of this issue, there will be plenty of time allowed for the consultation process. We are hoping this may result in an exposure draft, whereby the Bill is opened up for consultation before it goes to its first reading.

Of course, there will also be the opportunity for submissions when the Bill reaches select committee stage.

EMA was part of the working group, as were representatives from unions and government. We believe the outcome of this process gives certainty around how a claim will be determined, how it will be managed and how a settlement will be reached.

The recommendations, included:

- Principles to provide guidance to employers and employees in identifying, assessing and resolving pay equity claims.
- A process for employers and employees to follow to address pay equity, including a bargaining process based on the Employment Relations Act framework.
- While these recommendations have yet to come into effect, legislatively, the State Services Commission, on behalf of the government, and the Council of Trade Unions on behalf of unions, have agreed to apply the principles to current pay equity claims.

The first claims that will be progressed are:

- the PSA's claim for social workers employed by the Ministry of Social Development (and from 1 April 2017, the Ministry for Vulnerable Children Oranga Tamariki); and
- the NZEI claim for education, behaviour and communication support workers employed by the Ministry of Education.

The Bill will introduce changes on pay equity to both the Equal Pay Act 1972 and the Employment Relations Act 2000.

New Models of Tertiary Education

EMA submitted on behalf of members to the Productivity Commission on new models of tertiary education.

The report was published to show how well New Zealand's tertiary education system is set up to respond to, and take advantage of, trends in technology, internationalisation, population, tuition costs and demand for skills. The Commission was also asked to identify potential barriers to innovation.

The EMA welcomed changes that will enhance greater flexibility within the tertiary sector to allow the sector to focus more on skills required by employers. This is critical in addressing today's shortage of skilled people.

A number of surveys show that skill shortages are hindering growth

within business. The EMA Employers Survey in 2016 indicated 65 percent of employers were finding it difficult to recruit for skilled positions.

Key submission points:

- There needs to be increased investment and policies for adult workforce development, upskilling those aged 24 and above, including a greater focus on the over 65 age group who are still in the workforce.
- Employers and employees know what training is best for their workplace. Working together in partnership with employers, and all training providers, employers should be driving the design and delivery of skills solutions for a productive skill base.
- Career development needs to be considered as a process in the tertiary sector and in the lifelong needs of an organization where employees require ongoing access to knowledge, skills, attitudes and behaviors to manage their life at work.
- Vocational skills are vital for our economy. While vocational education appears to be a good solution it has low or lesser perceived value among students. This perception needs to change.
- Guidance, opportunities to upskill and retrain, gaining transferrable skills and a responsive education system that is responsive to employer demand are all important in matching graduates with employment.

The final report and recommendations were sent to Government in late February.

Future management of resources

This key piece of advocacy work continues and strong progress is being made behind the scenes. We continue to drive the debate around wider reform of the resource management system, not just the Resource Management Act (RMA).

Over the past year we have built a strong case for change. A key focus for 2016 was to conduct research into the impact of the Resource Management Act on the environment. This revealed that the Act, its implementation and other factors are not protecting the environment as was intended.

The EMA has been vocal on reforming the Act for many years. We know it's a piece of legislation that causes deep frustration for many businesses, particularly how it intersects with the likes of the Local Government Act and the New Zealand Transport Management Act.

Now, we can say the current resource management system is not working for business or the environment.

By pulling these two strands together, we have been able to construct a compelling argument that is making key decision-makers across the political spectrum sit up and listen.

The core working group (EMA, Infrastructure New Zealand, Property Council of NZ and the Environmental Defence Society) has successfully shared our research findings amongst the highest levels of the current Government, across all political parties and others who are influential in this space. The reaction has been overwhelmingly positive to our case that change is needed.

However, the group has been strategically cautious about not offering up a solution. We have realised that there is not one silver bullet to answer the all-important question around how we as a nation want to effectively manage our resources. Perhaps, 18-months ago we would have strongly argued for something along the lines of reforming the RMA and all would be well.

Rather, we can now see that it's important to drive a national debate, which looks at what change needs to be brought about and how to best do this.

This is the focus of 2017.

ADVOCACY EVENT CALENDAR

Location	Click on event for more information	Date	Time	Speakers/detail	Free
Auckland	Lean thinking - introductory seminar	17 March, 26 May, 18 Aug, 13 Oct	10am-12pm	Take action; get consistent outcomes and improve efficiency by being process-led.	
Auckland Sth & Nth	ExportNZ Seminar: Research & Development	22 & 23 March	4-6pm	Understand the complexity of R&D, as well as of the tax credits regime.	
Auckland	Numeracy and Literacy Seminar	23-Mar	10.30am-12pm	Learn how your business can receive customised, on-site training for free.	Free
Auckland	ExportNZ Workshop - Understanding innovation with Callaghan innovation	27-Mar	8am-12pm	Ross Pearce from Callaghan Innovation provides advice based on your business and products.	
Waikato	ExportNZ Masterclass - Developing an international brand	28-Mar	8am-12pm	Tim Paton from King St, will provide advice based on your business and products.	
BOP	ExportNZ Protecting your business in the digital age	28-Mar	7.30-9am	Be aware of threats posed by cyber-crime; how you can secure your digital assets	
Auckland	Manufacturers Forum The Next Era of Growth & Innovation	30-Mar	3.30-4.30pm	Professor Shaun Hendy, co-author of the book Get off the Grass, on NZ's future of innovation and economic success.	Free
Auckland	Policy Forum	3 April TBC	4-5pm	Details to be advised	Free
BOP	ExportNZ China Market Forum	4-Apr	3-6pm	First-hand knowledge from an experienced exporter plus tools developed by the University of Auckland Business School.	
Auckland	ExportNZ Seminar - Global E-commerce	5-Apr	7.15 - 9am	Hear from two intrepid global entrepreneurs - Hamish Conway and Sophie Howard.	
Waikato	ExportNZ E-commerce export adventures	5-Apr	4-6pm		
BOP	ExportNZ E-commerce export adventures	6-Apr	7.30-9.30am		
Auckland & Nth Shore	ExportNZ Seminar - Market Feasibility	11 and 12 April	4-6pm	Key strategies you can implement to proactively select and understand markets.	
Hamilton	Waikato Forum Meeting with Hamilton's Mayor, Andrew King	19-Apr	4-5pm	Hear from Hamilton's new mayor on the progress and challenges to achieve his vision for the city.	Free
Waikato	ExportNZ Transfer pricing and managing tax exposure	3-May	4-6pm	Hear a specialist from PWC, Gabriel Brdanovic, IRD and a local exporter.	
Auckland Sth & West	ExportNZ Routes and channels to market	10 & 11 May	4-6pm	Understand the options and how they can support long term sustainable growth for your business.	
Auckland	ExportNZ Masterclass - Channel to Market Strategies	11-May	8am-12pm	Explore omni channels – a multichannel approach delivering a seamless customer experience.	
Auckland	Employers Forum An update from Minister Woodhouse	18-May	3-4pm	Hear from Hon Michael Woodhouse, Minister of Immigration and Minister for ACC, Workplace Relations and Safety.	Free
Waikato	ExportNZ Masterclass - Transfer pricing	24-May	8am-12pm	Build a personalised plan for your business and your brand.	
Auckland Sth & West	ExportNZ Competitive and brand advantage	24 & 25 May	4-6pm	Creating a disruptive proposition for a strong brand advantage	
Auckland	ExportNZ Masterclass Maintaining a competitive advantage	25-May	8am - 12pm	A half day, interactive workshop	
BOP	BOP ExportNZ Awards gala dinner	23-Jun	6pm - late	Gala dinner to celebrate exporters in the Bay of Plenty.	
Auckland & Waikato	Air New Zealand Cargo ExportNZ Awards gala dinner	29-Jun	6pm - late	Gala dinner to celebrate exporters in the Auckland and Waikato.	
Waikato	ExportNZ Sales Scalability	5-Jul	4-6pm	Learn about your options for different export business models and strategies.	
Waikato	ExportNZ Masterclass - Export business models and strategies	19-Jul	8am - 12pm	Dan Hansen from MSM Sales Specialists will help you develop in-depth understanding and increased capability.	
All regions	EMA Member Briefings - Winter	24 July - 10 Aug	Various	Presentations on the latest advocacy, economic and employment-related developments	Free
ASEAN	NZ Business Mission to Thailand and Viet Nam	5-12 August		Focusing on food and beverage, agri-tech and high value manufacturing.	
South America	NZ Business Mission Argentina and Chile	Sept-Oct TBC		Coinciding with All Blacks' tour of Argentina, in partnership with the Latin America NZ Business Council.	