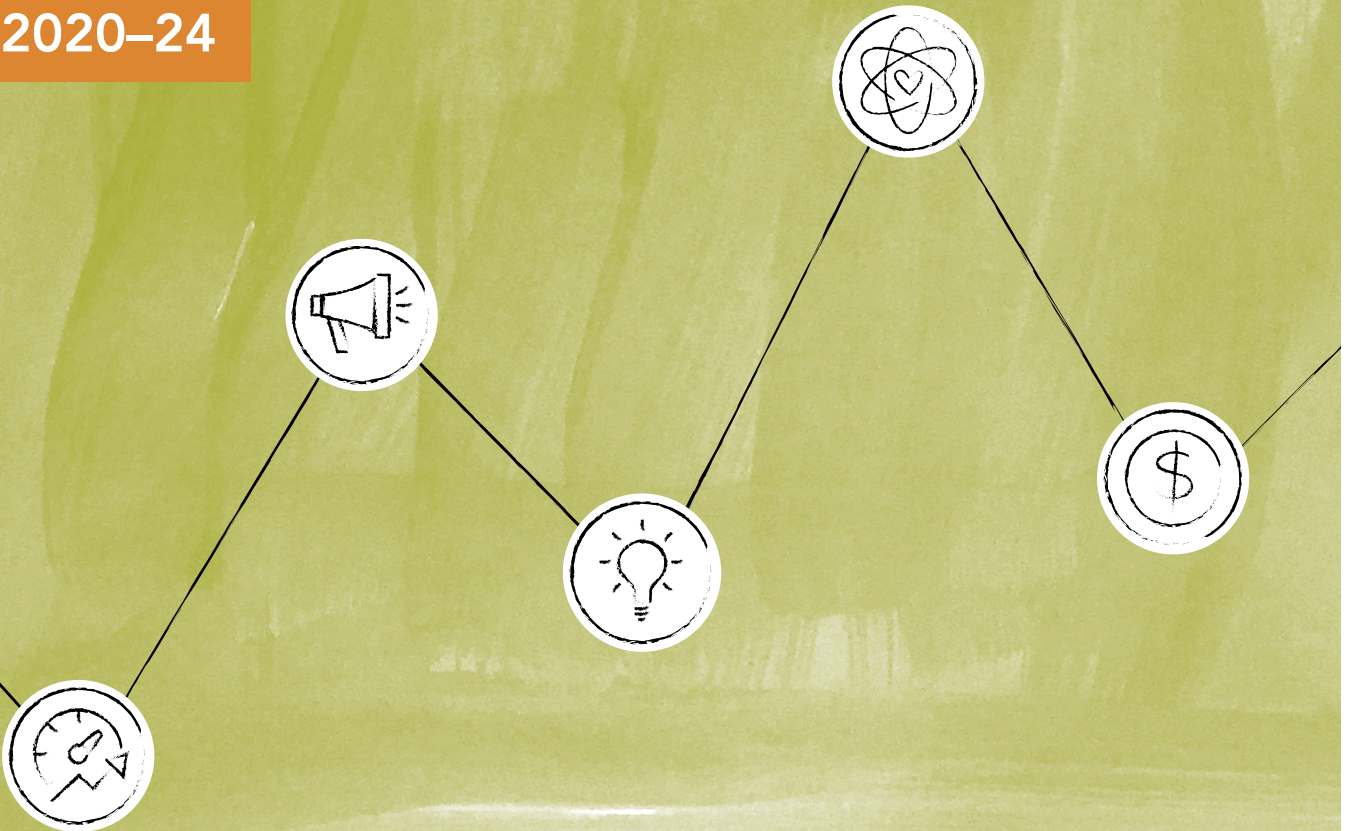


New Zealand
Productivity Commission

Statement of intent

2020–24



Presented to the House of Representatives pursuant
to section 149 of the Crown Entities Act 2004

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The Commission at a glance

We are an independent Crown entity that provides evidence-based, high-quality analysis and advice about productivity-related matters.

- Established under the **New Zealand Productivity Commission Act 2010**, we are a small, skilled group of analysts, economists and support staff guided and governed by three part-time Commissioners.
- **Our analysis, advice and research is focused on improving New Zealand's productivity.** The goal is to contribute to a more prosperous, secure and healthy society. **By lifting productivity, average incomes can increase and, as an associated outcome, the wellbeing of New Zealanders can be further lifted.** Wellbeing is a wide concept that includes economic, social, cultural and environmental benefits of living in New Zealand.
- Our independence means that our analysis and recommendations are intended to be **evidence-driven and apolitical**. Independence also enables us to **work across government agencies and policy portfolios** to give advice on difficult and often politically sensitive topics.
- We **engage deeply and collaboratively** on complex matters with and across agencies and organisations to ensure our work is relevant, useful and contributes to an improved understanding of productivity.
- To date we have **completed 14 inquiries** making over **500 policy recommendations**, produced a large body of research into productivity-related issues and communicated the findings to a wide range of audiences.
- Our current inquiry is focused on identifying **policies and interventions that could maximise the economic contribution of New Zealand's frontier firms.** This work is scheduled to conclude in 2020–21.
- Given COVID-19, decisions on a second inquiry topic were deferred. In the meantime, the Commission is providing support to the Treasury as they develop advice for the Government on strategies and policies to rebuild the economy post-COVID-19.
- In addition to our inquiry work, we will continue with **self-initiated research on the factors influencing New Zealand's aggregate productivity performance.** This involves working closely with other government agencies and academic researchers in New Zealand and overseas.
- We have developed a **new Diversity and Inclusion Action Plan to ensure success in incorporating greater levels of diversity in our work.** Our initial focus will be on a baseline workplace profile, awareness and education tools and strategic human resource approaches.
- Our work has been influential on a number of fronts. We continue to look for opportunities to **promote understanding of productivity-related matters and to influence, promote and raise the quality of public policy and dialogue** to support improvements in New Zealand's overall economic performance.

Statement of responsibility

This document constitutes our *Statement of intent* as required under the Crown Entities Act 2004.

The descriptions of our purpose, role and functions are consistent with the New Zealand Productivity Commission Act 2010. This *Statement* is forward-looking and covers a four-year period between 1 July 2020 and 30 June 2024. It should be read in conjunction with the Commission's *Statement of performance expectations* for each year.



Murray Sherwin
Chair
June 2020

The Commission's Board is responsible for the content of this *Statement* and the annual *Statement of performance expectations*, which include the reportable outputs and the prospective financial statements for the year, including the assumptions on which they are based, and for the judgements used in preparing them.

In accordance with the Crown Entities Act the Commission has consulted with the Minister of Finance in the preparation of this *Statement*.



Andrew Sweet
Commissioner & Assurance
Committee Chair
June 2020

Chair's message



Our *Statement of intent 2020–24* details how we intend to demonstrate progress, during the four-year period between 2020 and 2024, towards achieving our strategic objectives of lifting productivity and the wellbeing of New Zealanders. This *Statement* sits alongside our annual *Statement of performance expectations* which provides more detailed information on how we will assess our performance and the costs of delivering our outputs.

As the new Minister of Finance in 2018, Hon Grant Robertson sought advice on the role and performance of the New Zealand Productivity Commission. The New Zealand Treasury commissioned Dr David Skilling to undertake a desktop review of the Commission's work and to offer advice on how its work and role could be improved.

That report offered some very useful observations and suggestions. Chief amongst them was a suggestion that our future work should have a sharper focus on the "bigger picture" – what is impeding New Zealand's "macro" productivity performance and what policies could be adjusted to overcome those impediments. This would represent a shift in emphasis away from our more familiar "deep-dive" inquiries, which have explored productivity issues in particular sectors, to look at the factors impeding New Zealand's macro productivity performance and the policies that could best resolve them.

The Commission welcomed that suggestion. It accorded with our own sense of where we could have most impact. The heavy emphasis on inquiries which has characterised our first nine years of operation was not a result of a deliberate choice by the Commission nor its Commissioners. It was a preference from Ministers who had judged that New Zealand's long-standing productivity challenge would be best

approached "bite-by-bite" – they wanted specific, actionable recommendations in relatively narrow fields in order to make the productivity challenge more tractable. That preference was reinforced by delivering the Commission's budget appropriation in two "output classes" or funding buckets. Initially, 90% of the Commission's funding was required to be allocated to inquiry-related work, with inquiry topics being selected by Ministers, with the remaining 10% of funding available for the more generalised and self-directed work of our small Economics & Research team.

The specific funding allocations have now been removed. While inquiries will remain as a staple of the Commission's work, the choice of topics is expected to be more aligned with the broader productivity challenges that New Zealand faces.

The first examples of this new approach can be seen in our recently completed inquiry into *Technological change and the future of work* and our recently initiated inquiry on *Maximising the economic contribution of New Zealand's frontier firms*.

Naturally, this shift in the orientation of our work has implications for how the Commission operates. The skills and approaches required to make the most of the new inquiries are not the same as were suited to our past work.

Moreover, we expect to see the form of our work vary from our established approaches. *The Technological change and the future of work inquiry* was delivered through a series of short reports rather than a single “blockbuster”. We made extensive use of blog posts and other social media to reach and engage with interested parties.

Expect to see us continuing to explore alternative forms of output and new ways to use social media for engagement purposes. The newly initiated *Frontier firms* inquiry will introduce a number of new ways of working and new products. It promises to be a very fertile territory within which to gain insights into New Zealand’s lacklustre productivity performance.

As this report is completed, New Zealand and much of the rest of the world is in some form of lockdown to break the spread of COVID-19. We expect this pandemic to have a major and prolonged impact on New Zealand’s (and the world) economy and therefore the wellbeing and living standards of populations everywhere. How well New Zealand manages both the health response and the economic policy response will heavily shape our absolute and relative wellbeing for decades to come. Our research has been quite clear that periodic shocks to national output such as we are now experiencing have enduring negative impacts on productivity and therefore on incomes, employment and wellbeing.

Given the pressures of the COVID-19 pandemic, the Government has refrained from assigning another inquiry topic to the Commission at present. Rather, the Commission has supported the Treasury as they formulate policy responses and strategies aimed at getting New Zealand

through the COVID-19 emergency, with the least possible degree of disruption, and back on a sustainable economic recovery path as quickly as possible.

I have previously drawn attention to the increasing budget pressure on the Commission. Our budget of approximately \$5 million per annum has been unchanged since the Commission was established nine years ago. Over time, personnel and other costs increase. Even in a low inflation environment, over the years the pressures mount and we have been taking steps to reduce our expenditure. But more importantly, we see opportunities to make a positive difference passing by that we do not have the resources to pursue.

At this point, given the overwhelming priority of the pandemic response spending, additional funding for the Commission will not make it onto the Government’s priority list. However, with every great challenge there is a greater opportunity. The Commission’s work is more important than ever as COVID-19 provides a unique opportunity to shift gear and rebuild the economy on a more prosperous and sustainable footing. As we help to inform the Government on an economic response that maximises productivity, our attention to high-quality analysis, with a strong evidence base in areas directly relevant to the future wellbeing of New Zealanders, will stand us in good stead for the future.



Murray Sherwin
Chair
June 2020

Who we are

Our purpose

The Commission's purpose, as embodied in the New Zealand Productivity Commission Act 2010, 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.

The overall goal of our work is to contribute to increasing productivity and in doing so, provide greater choices and enhanced wellbeing for all 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 contribute to lifting productivity and the wellbeing of New Zealanders, as well as increase the public and political understanding of productivity-related issues.

Our annual work programme focuses on undertaking inquiries into and research on, and promoting public understanding of, productivity-related matters. The Commission would normally work on two inquiries in parallel. We have one current inquiry into New Zealand's frontier firms. Due to COVID-19, the Government has refrained from assigning another inquiry topic to the Commission at present. In the meantime, we have established a work programme with Treasury that will focus on strategies and policies aimed at getting New Zealand through the COVID-19 emergency and back on a sustainable economic recovery path as quickly as possible.

Undertaking inquiries

Inquiries are big pieces of analysis, typically with a 12–15-month timeframe. The time allowed recognises the importance of engaging extensively with interested parties to ensure we can be exposed to all points of view, get 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

We self-select research and publish papers to provide new insights and evidence on which to base advice that can improve New Zealand's productivity performance. This work includes undertaking and publishing an annual benchmarking exercise to track New Zealand's productivity performance over time – it's titled *Productivity by the numbers*. We also work closely with agencies who are active in productivity research, including serving as the external member of MBIE's strategic policy advisory group.

Promoting understanding

Promoting understanding of productivity-related matters takes many forms besides our communications activities around inquiries and research. We regularly host and contribute to presentations on productivity-related research from academics and government departments. We speak about productivity issues to a diverse range of sectors and use multimedia and social media to engage with different audiences.

The importance of our independence

As required by our establishing Act, we operate independently in delivering our functions. Independence means that we make our own judgements on matters based on extensive research, evidence-based analysis and widespread engagement with stakeholders.

Three factors are critical to our independence:

- **Statutory independence:** We are statutorily independent by virtue of our Act and the Crown Entities Act. That statutorily independent mandate is critical to our effectiveness.
- **Operational independence:** In practical terms, operational independence means that we have the requisite capability to carry out our own inquiries and research work and publish our findings, as well as engage and collaborate with a wide range of parties.
- **Impartiality and objectivity:** We regard it as fundamentally important to act impartially and objectively as we carry out our work. Independent, published evaluation of our work is also a critical dimension of our performance framework.

The strategic context for our work

Why productivity matters

Ultimately, we seek to influence two strategic outcomes: to **lift New Zealand's productivity** and, as a result, **lift the wellbeing of New Zealanders**. To achieve

this, we are focused on making a discernible contribution to the understanding of productivity issues and associated policy challenges in the New Zealand context.

What is productivity?

Productivity is a measure of the efficiency with which a nation turns inputs (such as labour, land, capital, intellectual property, raw materials) into outputs (goods and services that support the living standards of its people). By delivering more for less, higher productivity is the major driver of incomes, economic growth and improved living standards. Productivity growth is generally a result of working smarter, not harder or longer. As such, advances such

as new or improved technology, new work processes and improved education and skills are typically powerful drivers of productivity. Fully comprehensive measures of national productivity should include assessments of any negative (or positive) impacts from the production process on the natural environment and other "non-market" elements of our social, community and family life.

Why is productivity low in New Zealand?

Improving productivity is the primary driver of New Zealand's long-term economic performance and success. New Zealand has had a persistent problem with poor productivity. While productivity is higher now than historically, it has not increased as quickly as in most other OECD countries. That is the primary reason why New Zealand's average per capita incomes lag those in other, similar countries. The counterpart to this lagging productivity performance is that New Zealand workers work longer hours than most in the OECD, for lower incomes.

There are contextual issues that contribute to New Zealand's low productivity growth. These include being small and remote and therefore not well placed to plug into global value chains that drive activity in other countries. Successful, high productivity economies are generally those with a high skilled workforce working with sophisticated technology or sophisticated intellectual property in dynamic and competitive domestic and global markets.

How can productivity be lifted?

There is no simple formula for lifting productivity. The essential elements are reasonably well understood but need to be adapted to the circumstances of particular countries. For governments, creating an environment conducive to high productivity requires doing the basics well – robust fiscal and monetary policies, open trade access, a strong pro-competition dynamic in domestic markets and high-quality public infrastructure. Social policies supporting access to high quality education and health services for all are also fundamental.

While government establishes the settings within which a productive economy can

thrive, it is the choices made by the private sector that determines the economy's overall productivity performance. Those choices relate to the quality of management and governance, the investment choices, the products, services and markets targeted, and myriad other strategic and operational decisions made at the firm level.

Much of what Productivity Commissions explore is at the intersection of public and private sector interactions – the nature of the incentives faced by entrepreneurs as they make their choices and how those incentives can be designed to facilitate and encourage high productivity outcomes.

Our evolving operating environment

The more we understand our evolving operating environment, the better our chances of success. The Commission sees several overarching factors shaping the operating context for our work, including:

- **Contributing to and influencing policy thinking on New Zealand's overall economic performance.** The Commission's strategic objectives are an important part of public policy efforts aimed at lifting New Zealand's overall economic performance. We have received guidance from the Minister of Finance (following a review of our functioning and effectiveness) that he wants our work to have a sharper focus on the issues impeding New Zealand's macro-productivity performance and policies that could be adjusted to overcome those impediments. We expect to see this shift in emphasis reflected in the inquiry topics commissioned by the Government. Achieving influence – having our recommendations accepted and implemented and our thinking adopted in policy circles – depends on the quality of our analysis and advice, the clarity and impact of our communications and our ability to earn respect and trust in our operating environment.
- **Ensuring we remain relevant and credible.** Being regarded as relevant, credible and, above all, useful to our stakeholders is critical. History demonstrates how readily arm's length agencies can be side-lined or simply ignored. A key test for the Commission is its ability to attract inquiries that are of real substance and significance to government ministers and their agencies. Having received substantive mandates, our work must be robust, well grounded, clearly and forcefully expressed and above all, hard to ignore.
- **Managing demands for post-inquiry "after-care".** One important obstacle to our influence and ongoing impact is our limited capacity to deliver support after our inquiries. Typically, once an inquiry is completed and the final report delivered to referring Ministers, we undertake a round of engagements to explain our findings and recommendations and give "airplay" to our work. An important part of this phase lies in assisting the government departments that are responsible for assessing our work and shaping the formal government response to our recommendations. These agencies are typically also responsible for implementing recommendations,

should they be accepted. The space available for such “after-care” is limited and we are not resourced to do this. It is not uncommon, however, to be asked to speak about an inquiry completed several years earlier to a group that has a new interest in the subject. There are no easy answers to this, beyond ensuring that we make full use of our available team members, including Commissioners where appropriate, and being creative in how to provide such support within our available resource.

- **Crafting and positioning key messages.** Quality communication is integral to all that we do. The current media environment offers short windows for getting messages out and limited capacity for deeper analysis and discussion. To ensure effective and meaningful engagement our communications approach needs to be clear about who we are trying to communicate with, what we want to say, the form in which we present our key

messages, and how we discern whether our messages are effective or not. Recently we have made use of different communications tools such as blog posts cross-posted on social media to reach and engage with interested parties.

- **Extracting the maximum value from the research agenda and setting clear goals for research partnerships.** For our research programme we will need to think carefully about what research areas to focus on, and how best to squeeze the most value out of this aspect of our work. Effectively engaging internationally and maintaining a relevant and interesting collaborative research agenda will always need to be incorporated in our plans. In addition, our work on benchmarking and tracking New Zealand’s aggregate productivity performance over time – relative to other jurisdictions will also play a role in demonstrating the value of our research outputs.

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

Our impacts

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

 Generating discussion and debate

 Levels of engagement and response

What we do

Undertaking inquiries

 Publishing research

 Promoting understanding

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 core capabilities

Sourcing information

 Economic analysis & research

 Process management

 Engagement

 Communications and influencing

How we make a difference: our outcomes framework

Ultimately, we seek to influence two outcomes: to **lift New Zealand's productivity** and, as a result, **lift the wellbeing of New Zealanders**. Through our inquiry reports and research outputs the Commission:

- explores the causes of New Zealand's weak productivity performance;
- identifies the barriers to higher productivity and wellbeing; and
- recommends policies to overcome those barriers.

In producing and publicising research and reports, the Commission aims to inform the public and decision-makers, promote debate, and encourage the adoption of policies that contribute to the achievement of our outcomes. To do this effectively, the Commission must be rigorous, trusted and a skilled communicator. Our outcomes framework illustrates how we expect to make a difference, along with the core capabilities and the reputation we wish to develop.

Due to the complex nature of productivity issues, the influence of our work will generally only emerge over long timeframes. As such it can be challenging to identify changes in productivity performance or wellbeing that can be directly attributed to our work as distinct from the many other factors that influence productivity performance.

Central to our impact and influence is the Commission's comprehensive public engagement process. During each inquiry, the Commission engages widely with a diverse group of interested parties. The participative nature of our inquiries means that stakeholders can have a direct input and influence on the Commission's recommendations – both draft and final. The Commission can meaningfully engage with interested parties on specific policy issues and test ideas for improvement.

Identifying areas in which policy settings can be made better to enhance productivity and wellbeing is at the heart of the Commission.

How we measure progress: our evaluation against the framework

The topics we work on, the types of analysis we conduct, and the range of community and industry groups we need to 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 our performance.

The key elements of this approach include:

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 broad set of questions covering multiple aspects of our work, such as the quality of our analysis and the 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 obtain other relevant monitoring data (eg, national-level productivity and wellbeing indicators), and external responses to our work in the media, Parliament, and other relevant fields of activity.

[Note: all performance evaluation materials will be published on the relevant inquiry page of our website.]

To ensure comparability the expert review, participant survey, and stakeholder focus group use the same performance

dimensions (while ensuring flexibility for other feedback is provided), including:

- 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

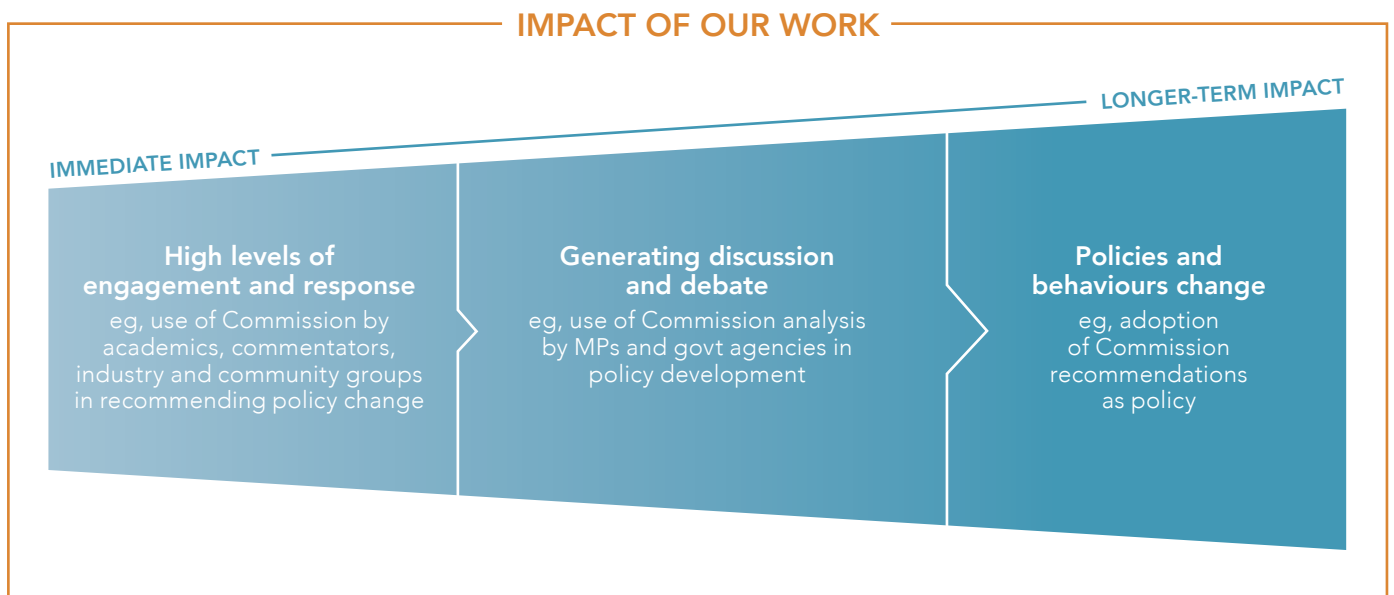
An independent expert review takes place after each inquiry has been completed. For our research work, a review takes place every two years and evaluates work during that period. No focus groups are convened as they are not as well-suited to evaluating our research work.

The survey of external participants for inquiries focuses on aspects of the inquiry’s performance, whereas the bi-annual research survey assesses perceptions of the Commission’s research performance by our research community.

Where we evaluate: our approach to performance measurement

The Commission is an independent research and advisory body and does not run nor implement any policies or programmes. The Government is under no obligation to implement Commission recommendations nor to respond to our reports. We rely solely on the power and communication of our ideas and analysis to influence and shape policy. As illustrated below, this influence may be direct and immediate (eg, through academic, community, public and political recommendation) or it may occur over longer periods after policies are adjusted or adopted.

It is not enough for the Commission to simply produce reports. The analysis and commentary in our reports should be disseminated, understood and influence policy and other behaviours so that, in the long term, productivity improves.



It is within this context that we discuss the impact of our work across three broad performance indicators:

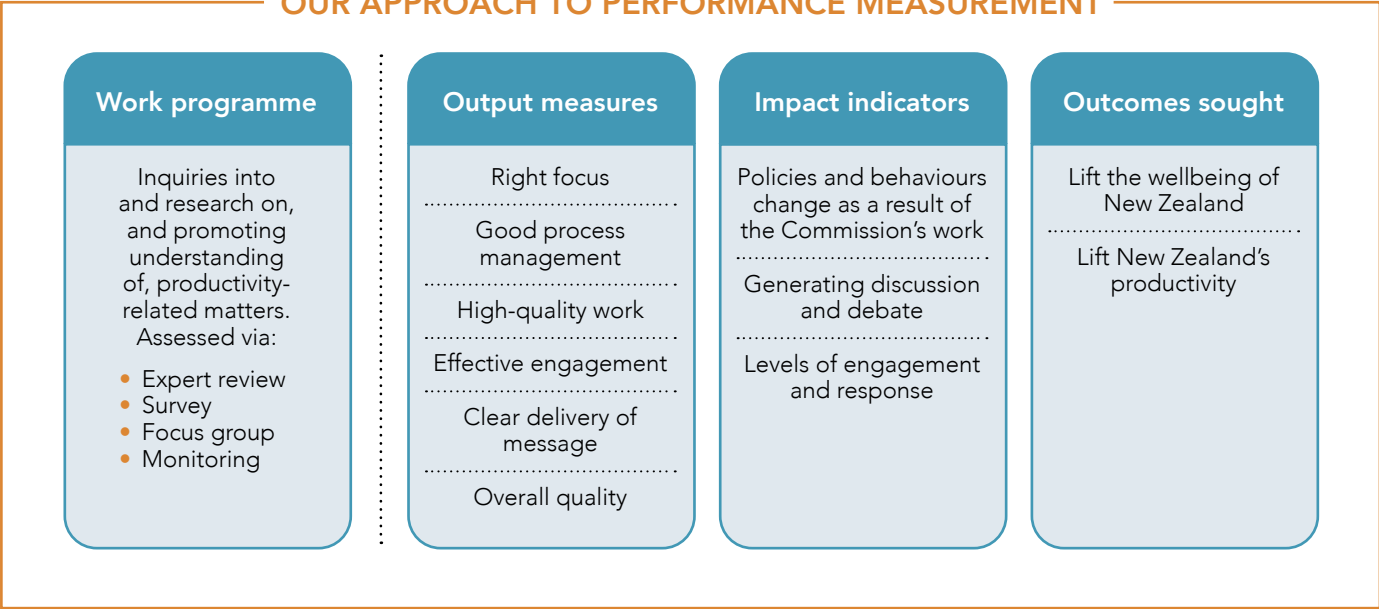
- **Levels of engagement with, and responses to, our work.** We particularly look at feedback indicating that our work plays a role in increasing the quality of analysis and advice overall on the topics of, and issues involved in, our work.
- **Discussion and debate is generated from our work.** We would like to see increased and wide-ranging discussion and debate by diverse voices. Our reporting looks at evidence of our work being used by influencers, particularly

those providing commentary on, or input into, policy and how and where our work is cited in those discussions.

- **Policies and behaviours change as a result of our work.** We believe that a greater understanding of our work will see a better uptake and understanding of our recommendations. This in turn will contribute to better decision-making on the policies and programmes that could lead to improved productivity and wellbeing.

Given the above, our approach to performance measurement can be summarised as follows:

OUR APPROACH TO PERFORMANCE MEASUREMENT



Our governance and capability

Our governance

The Commission is governed by a Board that is accountable to Parliament and reports to a Responsible Minister within Government, currently the Minister of Finance. Our **current Commissioners include Murray Sherwin (Chair), Andrew Sweet, and Professor Gail Pacheco.**

The Chair and Commissioners are responsible for the effective governance of the Commission which 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 the substantive work programme and outputs, shaping the scope, content, balance, quality and presentation of our work.

Our people

The quality of our people is critical to our success, particularly their research and analytical skills, and ability to undertake high-quality analysis and shape that into influential policy advice. We need to attract and retain people who are strong performers in their field, or who have significant potential to contribute to our research or inquiry work. Our approach to resourcing is to employ people who can add significant value supplemented by secondments, fixed-term contractors and, as required, use of specialist consultants

to bring experience and fresh perspectives. Once with us, we place high importance on supporting our people, including investing in their development.

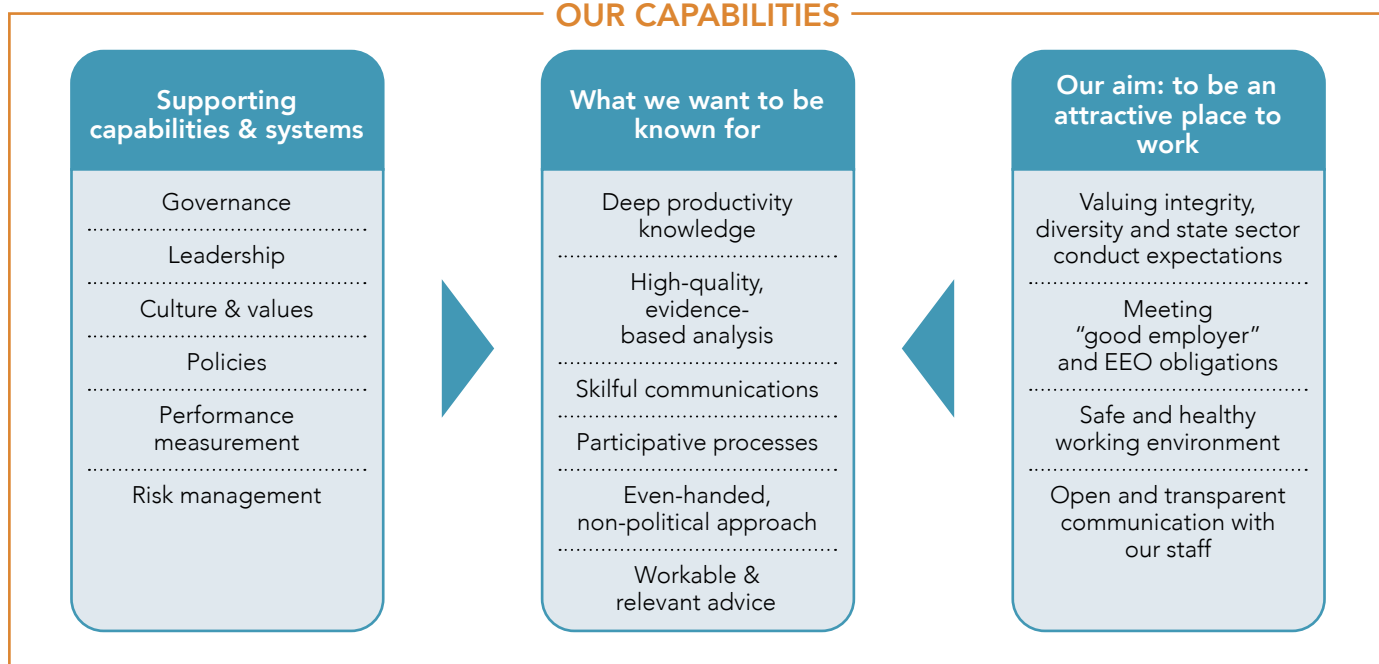
Across all staff positions (including administrative roles) we typically employ about 20 people with approximately a 50–50 gender split. Our staff bring diverse skills, disciplines and backgrounds to benefit the organisation and are employed on a mixture of permanent and shorter, fixed-term contracts. Where possible we also take advantage of expertise from across the public sector through secondments.

Our capabilities

Our work demands a high level of capability in areas such as sourcing information, analysis, process management, engagement, and communications and influencing. These key capabilities are measured indirectly through our performance measurement processes and inform our internal priorities for capability development. We also think about our capability in terms of the reputation we aspire to as an organisation. This, in turn, is linked to how we make a difference.

These capabilities make sure that we get the right information into the Commission and publish insightful and influential analysis, findings and recommendations (having taken the right steps along the way).

OUR CAPABILITIES



We value diversity

The Commission has recently developed a dedicated diversity and inclusion policy. This recognises that our thinking and actions need to be informed by a range of views as this will enhance the credibility, value and effectiveness of our work. We want to understand different perspectives, constantly look for new insights and adapt our thinking in light of new evidence.

Our diversity and inclusion policy is based on enhancing diversity of thought across our work, underpinned by who we are as individuals, our experiences, and our family and cultural heritage. Our approach is informed by a set of core guiding principles. This includes: the belief that a diverse and inclusive approach to policy development is vital to lifting productivity and wellbeing for New Zealanders; that we have a responsibility as an employer and advisor to lead and role model in this area; that our focus on diversity and inclusion will have a positive impact on our performance; while the business case for diversity and inclusion is sound, it is also about doing the right thing; 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; and we are prepared to try new things and learn from our mistakes.

To ensure we are successful in incorporating greater levels of diversity in our work, we have developed a Diversity and Inclusion Action Plan. This plan will evolve as we make progress and engage with our people, customers and stakeholders. The Commission's Board will set and review measurable objectives in the plan each year. Our initial priorities are about developing a base of knowledge on diversity and inclusion in the Commission. This includes a baseline workplace profile, awareness and education tools, and identifying strategic human resource approaches for increasing the diversity of the Commission's workforce.

The Commission also aims to provide equal employment opportunities to make the most of the talents of all our people. In doing this, we will maintain a clear focus on leadership, workforce development, management of people and performance, and engagement with our employees. Assessing our status as a "good employer" against the elements and criteria set out by the Human Rights Commission is also an area for further development over the period of this Statement to ensure that all elements are in place and working well.

Strategic risks and building our reputation

The Commission identifies six key attributes that we believe are vital to our strategic success. We see our strategic risks as the inverse of not achieving or sustaining these key areas of success. So, when we assess

strategic risk we consider the environment in which we operate and how we want to be known in that environment – as described below:

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.

Our financial outlook

Financial strategy is a key part of the Commission's overall organisational strategy. Our financial strategies include an emphasis on financial sustainability as a critical part of how we will meet organisational priorities and goals.

We have been aware that with rising costs, especially related to remuneration, and an appropriation unchanged since the Commission commenced operations in 2011, we would eventually reach a point where spending would run ahead of our appropriation. With small operating deficits in the two most recent financial years this time has now arrived. We have submitted business cases for additional funding in recent Budget rounds but these have been unsuccessful. In this context we will continue to take decisions that reduce costs and some outputs to ensure sustainability. Most recently this has included reducing the size of our research team and stepping back from servicing the Productivity Hub and coordinating less cross-agency

research work using the Longitudinal Business Database. We are also more actively prioritising resources to deliver on government expectations for our work, including promoting understanding and awareness of New Zealand's productivity issues, as our Act requires.

In this environment it is imperative that we continue to set realistic and sustainable expenditure budgets. To ensure we have the right budgetary focus the Commission's Board reviews financial performance on a regular basis and receives regular advice on options and priorities for budget re-forecasting and re-phasing.

Given that our people are our greatest single area of investment and cost, we will continue to set realistic pay and employment conditions while also being mindful of retention risks. We will regularly review how our services can continue to be delivered cost-effectively and to a high standard.

Governance and management

Board



Murray Sherwin, CNZM
Chair



Andrew Sweet
Commissioner



Professor Gail Pacheco
Commissioner

Leadership team



Daiman Smith
General Manager



Judy Kavanagh
Inquiry Director



Doctor Patrick Nolan
Director, Economics
& Research
Acting Inquiry Director

