

## WORKSTREAM SUMMARY



### THREATS

- 1. The Core Workplace and Core Employment Issues:** Significant job losses in NZ are inevitable – one-third of firms have already indicated that they expect to lay off workers. A deepening of the global recession, further reductions in private sector business investment, or rationing of funding liquidity to firms may see unemployment rise even higher than Treasury's downside scenario of 7.5% unemployment in 2010.
- 2. Workers: Skills and Transition:** Large pools of unemployed can result in 'structural unemployment' (a la' France and Germany in the 1990s), with debilitating economic and social costs. As the global economy continues to change, so do the skills required to meaningfully participate in the economy, creating a 're-skill' as well as a 're-employ' imperative.
- 3. Maori Economy, Local and Regional Government:** Maori face two critical threats that will see Maori unemployment grow faster than the national average. The first is the concentration of Maori workers in highly exposed industries (e.g., construction, tourism). The second is the large cohort of Maori (and Pacific Island) school leavers that will enter a difficult labour market in the next 5 years. Certain regions also face specific threats.
- 4. Helping Firms Survive:** Some industries are highly threatened by direct exposure to the worst impacts of the global recession. These industries may be large employers (e.g., construction), strategic to our future (e.g., technology) or both (e.g., tourism). Severe losses in these industries would be very negative for both jobs and our long-term future.
- 5. Business Investment:** Businesses are hoarding cash and delaying or cancelling capital expenditure. This is true across large (plant, infrastructure) and small (IT, etc) projects. The effects of these actions, when taken in aggregate, will be multiple firm failures and lost jobs.
- 6. Firm Funding:** Without reliable cash flow and ready access to capital, firms cannot survive and jobs will be lost. NZ is deeply reliant on imported capital – any changes to wholesale funding, creates a real risk of firm failures because of the lack of sufficient alternatives. The mix of interest rates on savings accounts and mortgages is also very material to cash – and hence consumption – in the economy. Lack of secondary market liquidity continue to threaten provision of funding liquidity.

### OPPORTUNITIES

- 1. The Core Workplace and Core Employment Issues:** While most firms in NZ are SMEs, employment in NZ is still quite concentrated in large employers (e.g., 47% of employees are at firms with over 100 staff). By gathering the right decision makers together, there is a unique opportunity to collaboratively find practical and innovative solutions that work for these times.
- 2. Workers: Skills and Transition:** Innovative solutions, to retrain, re-skill and manage transition to new jobs could result in not only strong employment outcomes, but a higher productive economy (and hence higher waged workforce).
- 3. Maori Economy, Local and Regional Government:** Maori have substantial assets and capabilities that, deployed appropriately, could generate productive employment. Local and regional governments are well positioned to immediately deploy capital toward local infrastructure. In addition, local government, as regulators, can identify ways to accelerate local private sector investment approval processes.
- 4. Helping Firms Survive:** Identify industry-specific actions that improve employment outcomes in highly risked industries, with some solutions potentially scalable more broadly across industries.
- 5. Business Investment:** New businesses and new investment creates jobs and growth for NZ firms. Opportunities to be assessed include targeting specific firms/industries to relocate all/part to NZ; and looking at areas such as government purchasing.
- 6. Firm Funding:** Clear 'direction of travel' agreement regarding bank funding of NZ firms. Address local conditions that mean OCR falls, flowing through immediately into all savings; but not all lending, may be pulling cash out of the economy – exactly what is not needed at this time. Clear actions which will result in non-bank financial institutions and markets make up what is likely to be a structural, not just cyclical, reduction in the supply of imported credit to NZ.

### GOALS

- 1. The Core Workplace and Core Employment Issues:** Identify workplace solutions that are in the long-term best interests of NZ by identifying specific potentially time-dated measures and agreements that are 'right' for these conditions.
- 2. Workers: Skills and Transition:** Concrete actions, not frameworks or taskforces, that utilize existing assets, and capabilities –public, private and NGO – including educational, to assist in re/upskilling labour and minimizing transition time and costs.
- 3. Maori Economy, Local and Regional Government:** Minimize school-leaver unemployment. Define actions that will allow rapid deployment of Maori, and local and regional government assets into greater productive use.  
Increase certainty and speed up regulatory functions to bring forward private sector investment.
- 4. Helping Firms Survive:** Implementable, targeted near-term actions that make a meaningful difference to identified industries.
- 5. Business Investment:** Create a package of policies and options that give business the confidence and rationale to not delay capex, and identify some specific new business opportunities that will see new, productive jobs created. In this area we expect to see some 'upside risk' as well as 'downside mitigation' from the policies.
- 6. Firm Funding:** Honest assessment of the role and goals of the bank sectors, with clear understanding of how the bank sector and government will work together for the best interests of the NZ economy on both firm and consumer sides – during this period. Identify solutions that ensure NZ is 'core' to the use of Australian banks' use of funds, and will see bank funding at acceptable price and volume levels. Improve the set (range, speed, cost) of non-bank funding options for firms.

### SUB GROUPS

A. Large Employers Leads: Andrew Little (EPMU) and Ian Morrice (Warehouse)	A. Skills, training and apprenticeships Leads: Penny Simmons (SIT), Georgina Kirby (Maori Development Inc)	A. Maori Economy Lead: Ngatata Love (Te Puni Kokiri)	A. Regulation Sector Investment Lead: Simon Moutter, Auckland Airports	A. Kickstarting Capital Expenditure Lead: Paul Reynolds (Telecom)	A. Role of Banks Lead: Ian Narev (CBA/ ASB)	
Identify new opportunities and flexible workplace arrangements that can be implemented to ensure employers preserve jobs to the maximum extent possible. Execution approach (e.g., new ideas such as a voluntary compact?) to be clearly defined.	Clearly defined execution approach, including utilizing new/unidentified capabilities that retrain both displaced workers and those on reduced hours, via innovative low marginal delivery vehicles. The goal is a set of higher skilled workers who re-enter the workforce, or remain in it, at a higher skill level.	Determine a series of practical steps that Maori can take, alone and in partnership with central government, local government and the private sector, to address the threats and realise the opportunities. The form of execution vehicle and approach will be very important.	Wasteful regulation imposes a needless fixed cost on business – causing pressure on 'variable' cost (i.e. labour). Regulatory processes that take 'too long' impede job creating private sector investments. Reducing the fixed cost inherent in certain legislation and increasing speed may assist in job preservation.	Formulate policies to stimulate/bring forward both large scale private sector infrastructure, as well as delayed plant, IT and other capital investment.	Define priority of NZ for AU banks, assess dynamics and cost of corporate lending market (including SMEs) and consumer lending market and identify new potential mechanisms and execution vehicles to address highly exposed/strategic industries and firms.	
B. Seasonal Work and Primary Industries Lead: Henry van der Heyden (Fonterra)	B. Transition and adjustment arrangements Leads: Peter Conway (NZCTU) Dianne Robertson (Auckland City Mission) Rob Fisher (Simpson Grierson)	B. Local and Regional Government Lead: Lawrence Yule (Chair Mayor's Council)	B. Highly Exposed Industries Lead: Greg Muir (Pumpkin Patch)	B. New Businesses Leads: Jeremy Moon (Icebreaker) Temuera Hall (Tuwharetoa Ltd)	B. Non Bank Capital Raising and role NZSF/ taxpayer saving vehicles Leads: David Skilling (McKinsey) and Andrew Harnos (NZX)	
Seasonal workers and primary industries have specific patterns and dynamics. Identify solutions specific to the threats and opportunities particular to these groups.	Determine effective 'early warning' mechanisms, as well as an efficient network of public, private and NGO partners that quickly match people with their next job opportunity, minimize time out of work, and minimize social impact of unemployment.	The high quality income base (rates), strong cash-flow generating assets (e.g., carparks), and ability to act quickly, makes local and regional government a key player in kickstarting 'mid-tier' infrastructure investment. Identify priority programs, and funding approaches, that are quickly initiated. Facilitating quick and effective Maori and private sector employment generating business activities in new ways is also fundamental. Role in transitional arrangements also to be considered.	Specific industries face specific threats. Identifying implementable measures to help these industries bridge the next 24 months with their business, and staff intact is the goal.	Attracting new business, sizeable parts of existing offshore businesses, and/or entrepreneurs to NZ will create new jobs. Identify specific targets and execution plans.	Non-bank institutions and capital markets must play an increased role in ensuring equity and other forms of funding are available to NZ firms. Identify specific actions and changes that will result in a wider set of viable funding/capital raising options for firms.	
				C. Boosting Existing Businesses Lead: Rod Carr (Canterbury University)		
				Areas such as government procurement and foreign student inflows, will, if increased, support valuable employment.		