

Country Report for APFHRM

Human Resources Institute of New Zealand (HRINZ)



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JULIA STONES AFHRINZ

Human Resources Institute of New Zealand

HRINZ

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1. Current economic and political situation in the country

Economy and labour market situation

Election 2014: An (out of) pocket guide to the economics – Professor Roger Bowden, NZ Centre for Political Research, February 2014.

Cynics might view Mr Key's flag waving as a deliberate diversion of voter attention away from Labour's baby package; or perhaps it all tees off from golf with Mr Obama. We all have views on the flag, our dreary national anthem, the role of the monarchy, and the controversial constitutional review. But right now it's economics, or voter bribery if you like, that are making the running for election 2014. In this respect it's not the promises that matter so much as the hidden agendas we don't know, and will find out only after the Treasury benches are filled.

You'd have to say the current National led coalition hasn't done so badly on the economic front. Our public accounts, notably the core government budget balance (the 'Obegal'), are in the best state for years. The government has foreshadowed a billion dollars or so new spending initiatives, but as yet we don't know the details, including how they'll be financed. Teaching quality initiatives - educational 'supermen' – for lower decile schools might help, but will require a lot of care to avoid alienating the grass root teachers. Other measures have been foreshadowed, notably a new quango for food safety monitoring for dairy and other food exports. The Fonterra Bot was Not, but so much is at stake that third party implied certification becomes important.

Some nettles the Nats haven't grasped and may eventually be forced to do so. Foreign ownership rules, taxation of multinationals, GST for Amazon.com and the like, polluting salmon farms, exploding Waitangi settlements, our deteriorating universities, are just some. It's less a matter of throwing money at such things as correctly identifying the problems and seeking the best advice on how to fix them.

In the meantime, Labour has certainly grabbed the headlines with its 'Best Start' baby and parental leave packages. Not even a professional economist is dismal enough to question spending on babies. It will certainly help in the dormitory suburbs of south Auckland to have \$60 a week for each infant under three. To avoid diversion from child welfare purposes I should have preferred more payments in kind rather than straight money, but that's a quibble. Extending paid parental leave to 26 weeks is praiseworthy but will have a few fishhooks, notably tacit hiring discrimination against women of childbearing age. This will be so where any form of job specificity is entailed, with the 'key employee' provision almost impossible to prove.

However, with Labour and the Greens, it's the hidden agendas that will have the bigger economic impact. Growing economic inequality is the handle that has cranked them up on wages. (You could

argue that the baby package might not help too much on this, but that is a side issue.) Labour and the Greens are committed to the spirit of the 'living wage', an effective piece of social rhetoric – how could anyone disagree? In this country it has been assessed by a family research unit of Massey University as \$18.40 versus the current official minimum wage of \$13.75 an hour. The underlying logic has been questioned by several authors (e.g. my 24th Jan NBR article), but the rhetoric has proved too much for local bodies, and the movement will spread in the spirit, if not the letter. Mr Key has recently indicated that he will raise the minimum wage to \$15 though the time horizon remains unclear. Mr Cunliffe has indicated that he wants every public servant to have the living wage, but in the meantime is sticking by the Labour Party's previously announced \$15 target for the minimum wage for every worker.

Direct action on wages will add to the inflationary pressures that are already starting to build. Reserve Bank Governor Mr Wheeler has been hanging back on the official cash rate until March, doubtless to send out advance signals to homeowners with mortgages. There will likely be one or two modest rises in the interim. But it's post the election that the proverbial may hit the fan. Labour, the Greens, and NZ First have all signalled that they want the Reserve Bank Act modified.

Labour want a Monetary Policy Committee to set the OCR by vote. Nothing much wrong with the idea as such; the Bank of England and the US Federal Reserve have similar models. The devil is in the detail as to who is chosen (a man ban would be good) and just how they would set the rate. In this respect, Mr Peters will doubtless return to his theme of broadening the terms of reference to include the impact on the NZ dollar. My best guess is that if Labour does get elected, the market will expect more inflation and a weaker NZ dollar.

Inflation is never great for real income equality. However, the Labour Party are going to fix that with more progressive taxation regimes. For Mr Cunliffe this will encompass capital gains, extending to second homes and other assets. However, voters will be most concerned with the more progressive income tax. In order to generate the tax income needed to pay for social initiatives the top marginal rate will have to increase, and kick in much earlier than the \$150,000 mentioned in dispatches. Down into the swinging voter income range, in fact; and these are the very people to whom Labour and the Greens have to pay court.

It's harder to critique the economic policies of the minor parties. Those of the Maori and Mana parties are pretty much self evident. The NZ Conservatives are too late on the asset sales, and otherwise long on generic motherhood statements such as 'Stimulate the economy through growth in agriculture, fisheries, mining & manufacturing'. Well, that, too... On the other hand, ACT has a more complete list of economic policies, predictably free market in nature. But there does not seem to be much of a reality or compatibility test, e.g. to blame funding shortfalls and student fee constraints for poor university performance is a misapprehension. Finally, the United Future party are currently reviewing their economic policies. For more, do not watch this space.

It's early days yet for election 2014. The parties will no doubt refine their economic policies if only as an adaptive response to criticism from the other side. My own concern is not so much with what has so far been promised, but what will be delivered and the outcome, should this or that party actually achieve the balance of power. For voters, thinking it all through has never been more important. As the saying goes, the road to Hell is paved with good intentions.¹

¹ <http://www.nzcpr.com/election-2014-an-out-of-pocket-guide-to-the-economics/2014/02/16>

Political situation

'NZ to go to economy based election'

WELLINGTON, March 10 (Reuters) - New Zealand will hold its general election on Sept. 20, Prime Minister John Key said on Monday, in a vote that is likely to focus on his centre-right National Party's economic record.

An election for the 120-seat parliament was required by the end of the year, as the government was due to complete its three-year term.

"I'm announcing the election date well in advance as I believe this gives New Zealanders some certainty and is in the country's best interests," Key said.

He said the date was influenced by a Group of 20 summit due to be held in Australia in mid-November, to which New Zealand has been invited to attend as an observer.

Key said his government would campaign on its record of managing the economy, which has emerged strongly from recession and the global financial crisis.

The economy is forecast to grow at more than 3 percent over the next two years on the back of strong commodity prices and the rebuild of earthquake damaged Christchurch, while the government is forecasting a return to budget surplus next year.

A Reuters survey of six polls shows Key's National Party, which has been in power since 2008, with 48 percent support against the main opposition centre left Labour Party, which has 34.1 percent.

The early election notice, and National's commanding lead in the polls were seen favouring its re-election.

"It's the government's election to lose, the story has been for some time of a likely National (Party) win, and that Labour is the underdog," said political scientist Bryce Edwards.

The Labour Party, which led the government between 1999 and 2008, has been struggling in the opinion polls, with the leader of six-months David Cunliffe stumbling through a series of gaffes in the past month.

Edwards said National would undoubtedly help smaller parties who would be likely coalition supporters to get into parliament.

However, a close result might see the economic nationalist New Zealand First party led by mercurial, veteran politician Winston Peters holding the balance of power, if it is returned.

Under New Zealand's German-style proportional voting system, brought in 1996, the biggest party has always needed the support of minor parties to govern. A party must win either an electorate seat or gain 5 percent of the nationwide vote to get into parliament.

National currently has agreements with the centrist United Future, free market Act Party, and the indigenous Maori Party, which guarantee it a majority on all financial and confidence issues.²

2. HR challenges

The main challenges facing the HR profession in New Zealand at present are:

- **The increased focus on Health and Safety in the workplace** following the establishment of Worksafe, a government agency set up in November 2013 to improve workplace safety in NZ organisations. The Institute of Directors and the Ministry for Business Innovation and Excellence (MBIE) have produced a comprehensive checklist for company directors which has increased their levels of accountability for workplace safety and this has been cascaded to the HR function for implementation and identification of potential risk.
- Following the GFC and a more buoyant economy, **the war for talent has accelerated** and organisations are urgently focusing on building talent pipelines to safeguard succession and future proof their businesses as well as engaging their key talent to retain them. Increased focus on attracting skilled migrants to NZ and retaining international students in the workplace post graduation from NZ universities.
- **Ongoing automation of HR processes** from an increasing number of international providers has exerted pressure on HR functions to demonstrate strategic value add rather than just delivering HR hygiene/legislative compliance when the function has to deliver more with less resource following the GFC as organisations strive to become more agile on a global stage. This poses a real threat to HR as a number of NZ organisations have abolished a dedicated HR function and delegated HR responsibilities to line managers.
- **Organisational development as a dedicated function is under threat** and has been disestablished in a number of NZ organisations at a time when the ability to design an effective organisational structure to create competitive edge has never been more critical. In NZ OD has evolved out of the learning and development function and as a result tends to focus on developing capability rather than true organisational design and development which is synonymous with the integrated HR function in the US and Europe.
- **Moves to introduce a minimum living wage.** If adopted there could be advantages like lifting the purchasing power of lower paid employees as well as disadvantages like increased redundancies and increased prices to offset the wage increases.
- **Union sector (NZCTU/PSA) adopting the Australian Anti-Domestic Violence policy** and seeking NZ employers to agree to anti-domestic violence clauses in collective agreements – this has advantages and disadvantages. Advantages include raising awareness and making it safe for employees to talk about domestic violence, disadvantages include expectations for employers to provide more paid time off work for employees to address domestic violence clauses. Question confronting employers – is this really something that employers should be adopting? What is the next “social policy” that employers will be expected to adopt?

² <http://www.reuters.com/article/2014/03/10/newzealand-politics-idUSL3N0M710C20140310>

3. HRINZ projects and initiatives

Major areas of HRINZ activity include the following:

- **The appointment of Chris Till as the new CEO of HRINZ** in December 2013 following the resignation of the previous CEO who had been in the role for 15 years. The HRINZ Board re-scoped the CEO role so there is now increased focus as the brand ambassador with an 'outside in' approach, liaising proactively with government and industry in NZ to continue to promote the profile of HR as well as liaising with international HR institutes to promote international HR best practice.
- **Selection of two Board members** using a comprehensive skills matrix to identify what additional skills are required to complement the existing Board member skills
- **Increased focus on international alliances**, working more closely with APFHRM, AHRI, CIP and SHRM. HRINZ is honoured to be hosting the March 2014 APFHRM meeting in Wellington, NZ and looks forward to welcoming members, as our invited guests, to an all day strategic HR workshop with Professor Ian Williamson from the renowned Mount Eliza Business School in Melbourne on 18 March. HRINZ is privileged to offer Professor Williamson as the guest lecturer for the strategic HR Leadership course delivered to HRINZ members each year and we are delighted that APFHRM members will have the opportunity to work with this internationally acclaimed HR subject matter expert. We are also looking forward to APFHRM members talking about HR in their respective countries at a special HRINZ breakfast with members on 18 March which Chris Till, the new CEO of HRINZ will facilitate.
- **Implementing a comprehensive engagement strategy** for HRINZ members following a national survey with the intention to segment the membership to ensure HRINZ continues to deliver value added services to its members, adopting an 'outside in' approach.
- Working with Immigration NZ, MBIE, the Auckland Chamber of Commerce and the Auckland Council on a number of initiatives **to ensure skilled migrant labour settles productively** in NZ. Auckland is the gateway to NZ and as such plays a critical role in the successful assimilation of migrant workers, which include graduating international students.

4. Scheduled Conferences

- The national HRINZ will take place in Auckland in August 2014 rather than Wellington where it has been traditionally held for many years. The theme is **HR as the architect** and a number of international keynote speakers have been secured.
- Two regional HR Summit conferences will be held in Wellington and Christchurch in May 2014.

Julia Stones
National Vice President
HRINZ