Productivity, Wellbeing and Dodgy Policy

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“Paradise Lost! Two Decades of Shocking Failure in Political Leadership” (NBR, 3 August, 2018) outlined the pervasive failure of New Zealand’s political leadership over recent decades to deliver good policies and outcomes for New Zealanders.

Moreover: “When the economic engine of a democracy fails, social and environmental imperatives become unaffordable. But rather than fix the economy politicians have obfuscated and spent more of the Nations precious capital on political band aids, reinforcing the downward spiral”. Working for Families epitomises this approach!

Serious concern about this policy charade was the basis for my recommendation of a Royal Commission on Policy - the downward spiral has taken us from a top 3 in the World ranking to below the OECD average - and still sliding.

Unfortunately the Ardern/Labour-led Government is more of the same, using the subterfuges of politics to camouflage its ineffectiveness. So instead of productivity we get “wellbeing” (the new Working for Families), offshore diversions and a blitzkrieg of policy “working groups” which are fast losing credibility given their lack of objectivity and data-based analysis and predilection for established political doctrine.

Productivity is critical. It fundamentally determines the incomes and living standards of New Zealanders by increasing the quantum of economic value (capacity) available to be used in numerous ways to improve living standards. Unfortunately New Zealand’s productivity growth has been World-lagging for decades and there is no sign of improvement, meaning continuing low incomes and a myriad of increasingly serious social and environmental problems, made worse by rapid population growth with too many low economic value state-subsidy dependant immigrants.

Without productivity growth increased incomes (eg: the living wage) are not sustainable, it is a con game in which politicians increase incomes but without creating the economic capacity for them to be sustainable, meaning less investment in productive capital and lower future productivity growth and living standards.

Why is New Zealand’s productivity performance so bad - mainly because its policy framework lacks the focus and incentives to be effective?
New Zealand’s political leaders are firstly politicians with the priority of staying in power. This outweighs any commitment to “public service” and making New Zealand a better place; and the reality is they are a bunch of amateurs anyway, most have achieved their highest income as politicians which is a strong warning signal about capability.

Recent governments talked endlessly about productivity and established the Productivity Commission but productivity requires committed, expert leadership and an integrated, comprehensive approach to policy and performance management which is challenging and most politicians lack the necessary ability and commitment

And my decades at the coal face tell me unequivocally that collective employment agreements will not facilitate productivity. Individual arrangements, especially in a team context, are the far better option!

Also, the Private Sector performance is mixed. Again it is a leadership issue. Productivity is hard, complex work, needs commitment, must be led from the top, few directors understand it and New Zealand management is still "plateaued at a level of mediocrity" (NZIM, 1996)

With the poor productivity performance the productivity rhetoric lost credibility. The political masterstroke (ranking with Working for Families!) is denigrating productivity with GDP's limitations and launching "wellbeing" as the new "sliced bread".

Why am I so sceptical about wellbeing?
Inevitably a wellbeing approach highlights a range of mainly- social problems and improvement objectives, and performance objectives range from simply increasing spending to genuine improvement in realistic indicators of performance. But the large number and genuine complexity of performance indicators gives endless scope for obfuscation and it is very difficult to get a credible and reliable overall assessment.
But more importantly wellbeing policies say little or nothing about the Nation's economic capacity to achieve higher living standards by higher incomes or increased spending on social etc. problems. It's largely about spending and little or nothing about the sustainable economic capacity for genuine improvement, without which the whole package has little value.

GDP, especially per capita is denigrated for its limitations but is still the critical indicator of the Nation's economic capacity to improve, and increased spending on social problems not backed by increased economic capacity is not credible or sustainable.

Treasury's 2016 Statement on the Long Term Fiscal Position is a useful indicator/warning. This report was typically data rich, analytic and informative but the 2016 Statement is less so, with a focus shift to wellbeing ("Better Life") indicators. The featured message (Fig 1.2) includes 19 indicators of Better Life. Only one is income related (Household Income - NZ ranks poorly) and there is no indicator of productivity or economic capacity!

A much better approach would show Sources and Uses. What has been the increase in economic capacity by source, including productivity and debt; and how has it been used, in higher incomes, increased government spending or capital investment, etc.
Otherwise there are good grounds for concern that the wellbeing approach will be used to justify (camouflaged by complexity) increased politically attractive spending, ignoring the critical issues of productivity and the genuine economic capacity for improvement.

Unfortunately, recent history indicates that the No Surprises constrained and dependent Public Service is more likely to orient to the politically desired outcomes than to the best interest of all New Zealanders.

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