Good morning everyone and welcome to the Productivity Hub’s first big event. The Hub was initiated in October last year. It is a partnership of public sector agencies with interests in productivity data, analysis, research, and the role of policy in improving New Zealand’s productivity growth.

The Hub’s partners include the Treasury, the New Zealand Productivity Commission, the Reserve Bank of New Zealand, Statistics New Zealand, and the Ministries of Business Innovation and Employment, Foreign Affairs and Trade, Primary Industries, Transport and Health.

It’s right that we’re putting concerted, cross-agency effort into exploring questions of productivity. We know that partnership is the best way to achieve the outcomes that New Zealand needs and New Zealanders want. I’m very pleased with the progress made so far.

That progress includes today’s symposium which brings together more than 100 people. I’d like to welcome in particular our overseas speakers: Professor Edward Glaeser (Harvard University), Geoff Mason (UK National Institute for Economic and
Social Research), Alain de Serres (OECD), David Gruen (Australian Treasury) and Michael Woods (Australian Productivity Commission).

The symposium’s objectives

The last major cross-agency workshop on productivity was hosted in July 2004 by the Treasury, the RBNZ and MED.\(^1\) It had a strong measurement theme and was central in driving the introduction of official productivity statistics.

This 2013 Symposium has three objectives. It aims to:

- bring together evidence, analysis and interpretations of New Zealand’s productivity paradox to generate robust insights
- advance collective understanding of New Zealand’s productivity performance, and
- gather ideas for research and policy work that will most effectively contribute to improving New Zealand’s productivity performance.

The aim is to produce (and publish) a joint Forward-Looking Agenda of Research (‘FLARE’). The FLARE will be used as a tool to engage the wider research community to take forward our evidence base.

Why productivity matters: unpicking the paradox

From a living standards viewpoint we know that New Zealand does particularly well on OECD quality of life measures such as health, civic engagement, education, safety, environment and life satisfaction. But a number of our people do not fully share in this: while our educational system serves most New Zealanders well, a quarter of Kiwi youth leave school without NCEA level 2.

We also know that New Zealand does less well on material living conditions.

In the 1950s New Zealand’s per capita income was around 5th highest in the OECD. By the late 1990s however, per capita income was around 23rd. We have sat around that level since then.

Our per capita income gap comes not from labour utilisation (hours worked) but from labour productivity.

We have generally sound regulatory, policy and institutional settings. But that brings us to the so-called paradox: in view of those settings, what are the explanations for New Zealand’s persistently low productivity growth compared with many other OECD countries?

The Treasury is interested in understanding New Zealand’s productivity performance across both short and long-term horizons. It’s relevant to our short-term economic and fiscal forecasting, including measures of potential output, and also into our long-term fiscal projections which we will be publishing shortly.

\(^1\) [http://www.treasury.govt.nz/publications/research-policy/conferences-workshops/productivity](http://www.treasury.govt.nz/publications/research-policy/conferences-workshops/productivity)
Unpicking the paradox is something that requires the bringing together of different perspectives. The Treasury is here today because we recognise the importance of diverse thinking and because we value the different insights that the participants at this symposium can bring to this complex subject. It’s an important part of informing our own analysis of issues affecting New Zealand’s economic growth.

And we are actively involved in a process of listening, learning and testing our understanding of the issues influencing growth. We’ve hosted workshops in Auckland, Wellington and Christchurch with a range of stakeholders, we’re hosting a seminar series to bring in alternative perspectives, we’ve developed a cross-government panel to test our work and we’re participating in visits to talk to businesses and other stakeholders throughout New Zealand.

The on-going work of the Productivity Hub, and today’s Symposium, is part of this process too.

As we deepen our understanding, we will move into a period when we will test our thinking with key stakeholders, including academics, government agencies, and other stakeholder. It’s particularly important that what happens next – including the FLARE – is firmly anchored in, and tailored to, the needs of decision-makers such as the Minister of Finance who will be with you later today.

Of course, we do not start from a blank sheet of paper. We already know a lot about New Zealand’s productivity performance, including the analysis of long-term growth performance and future prospects included in the OECD’s recent report.

This Symposium builds off and extends that body of work and knowledge. In particular, it examines productivity from both the aggregate and industry perspectives, including an examination of some specific industries such as construction. Other papers in the Symposium approach New Zealand’s productivity paradox in terms of individual drivers (eg, ICT, capital markets), and from the perspectives of cities and firm-level performance.

Many of the external participants are familiar with the New Zealand story so we are looking for them to build on the existing knowledge base and draw connections to other parts of New Zealand’s economic landscape, including our international connections, the impact of our size and distance from markets and, more broadly, our overarching macroeconomic framework.

**Conclusion**

And finally to the paradox. A paradox is an argument that produces an inconsistency. G K Chesterton once wrote that a paradox was truth standing on her head to get attention. We have been talking about the productivity paradox for some time and I’d like to think that it’s about time that we started to unpick it.

Thank you everyone for attending today and for your contribution to making this event a success.