Executive Summary

The current National Party-led government, formally a minority government, has generally been able to command a legislative majority having negotiated confidence and supply agreements with three smaller parties, the Maori Party (two seats), United Future (one seat) and the ACT Party (one seat). In early December 2016, shortly after the end of the review period for the SGI 2017, Prime Minister and National Party leader John Key, who had served as head of government since 2008, announced that he would step down. Shortly thereafter, previously Deputy Prime Minister Bill English (2008-2016), assumed office on 12 December 2016.

Throughout the review period, New Zealand performed well with regard to indicators of governance capacity, policy performance and quality of democracy. New Zealand’s democratic system is based on a unicameral parliament, working rule of law, strong executive and effective government. The system is healthy and stable. Despite an ongoing debate about adopting a written constitution, the fundamental structure and operation of governance reflects a fundamental continuity.

The country’s commitment to economic freedom is reflected in its leading position in the World Bank’s 2016 Doing Business report. According to the report, New Zealand provides the world’s best protection for investors. In addition, the country is one of the safest countries in the Asia-Pacific region and a “low-risk environment for business investment.” Political reforms implemented over recent decades have created a policy framework that demonstrates impressive economic resilience. Openness to global trade and investment are firmly institutionalized. The government has entered into several free trade agreements. For example, a trade deal with South Korea was finalized in 2015, while New Zealand was also an initiator of the 12-member Trans-Pacific Partnership Agreement and is exploring the possibility of a free trade agreement with the European Union.

The economy rebounded quickly from the global recession. The negative effect of the severe earthquakes in Christchurch in 2010 and 2011 on economic growth has been limited, and the subsequent rebuilding programs have contributed significantly to economic growth on South Island. Though these effects are now fading. On the other hand, the recent influx of
immigrants and the repatriation of many New Zealanders from Australia is placing severe strain on the housing market, especially in Auckland.

According to IMF figures, net general-government debt remains well under control at 8.8% of GDP in 2015. The equivalent rate in the UK was 80.3% and in the United States it was 79.9%. During the review period, economic growth has been relatively strong and inflation has remained under control. Economic recovery from the global economic crisis has been driven by exports and the rebuilding of Christchurch. However, although the New Zealand economy endured the world financial crisis comparatively well, the government has been forced to prioritize budgetary policy at the cost of other reform projects. Hence, fiscal austerity policies are widening the socioeconomic gap between the rich and poor, despite the relatively strong performance of many macroeconomic indicators.

In the lead-up to the last general election in 2014, the rise in levels of child poverty became a particularly salient issue. Although both the private and public sectors have attempted to ameliorate this problem, close to one in three children were defined as living in poverty by the end of 2015. The government is aware that inequality, especially its negative effects on levels of child poverty, is likely to be a major issue in the 2017 election.

Long-term policy challenges have not changed during the review period. First, New Zealand’s economic well-being strongly depends on developing a larger, more highly skilled and better paid workforce. This will require new initiatives and further investment in education and training, as well as a stronger commitment to research and development. Recent trends in immigration and employment have been positive, particularly employment rates in Auckland, the largest metropolitan area. While the construction boom in Christchurch is slowing, it continues to attract large numbers of skilled workers. Although New Zealand has been relatively successful in integrating immigrants, more investment is required to promote education outcomes and skills training within the Maori and Pasifika populations. New Zealand also needs to develop stronger links with its neighbors in the Pacific region.

Despite the government’s decision to withdraw from its Kyoto obligations, New Zealand’s own vulnerability to the consequences of climate change were recognized in its endorsement of the objectives of the United Nations Climate Change Conference in Paris in October 2016.

Citation:
Key Challenges

New Zealand is in reasonable shape to tackle current and future challenges. Over recent decades, it has radically reformed its economy, and electoral and public management systems. The country has emerged well from the global financial crisis compared to other OECD countries. Nevertheless, there are four problem areas, namely innovation, tax policy, regional development and government structures, and the government’s agenda-setting capacities.

First, innovation. Although recent governments, including the current National minority government, have increased investment in tertiary education (particularly in science, technology, engineering and mathematics), and research and development, there remains a need to intensify these efforts, as comparative data for OECD countries has made clear. Similarly, New Zealand does not invest enough in ongoing job-based education and training. The country has followed the tradition of Anglo-American liberal market economies (LMEs), which invest more extensively in transferable skills than in job-based training, which is the focus of some continental European coordinated market economies (CMEs). Since the New Zealand economy is extremely small, other approaches, including those used in Scandinavian countries, are likely to be better suited to New Zealand’s conditions. A particular area of concern is the high rate of youth unemployment in Maori and Pasifika communities.

The economy’s innovation potential is inextricably linked to immigration policy, where attracting highly skilled workers is of utmost importance. The government needs to remain committed to attracting skilled immigrants and ignore pressure from the populist anti-immigration New Zealand First. New Zealand First is a small parliamentary party that has performed rather well in recent general elections. In 2014, New Zealand First won 8.7% of the vote and 11 out of 121 parliamentary seats. In a March 2015 by-election, it won a previously safe National seat, increasing its complement of parliamentary seats to 12. The recent surge in support for anti-immigrant parties in the United States and Europe has placed immigration policy firmly on the New Zealand political agenda.

Second, tax policy. Prioritizing a balanced budget, the government has shelved plans for a new round of tax reform, while also hinting at further tax cuts either before or shortly after the 2017 election. The government needs to
tackle the politically sensitive issue of introducing a capital-gains tax, although as this was a key Labour election proposal in 2011 and 2014, the National government are unlikely to adopt to policy. In the absence of a capital-gains tax, there are strong incentives for New Zealanders, as well as foreign investors, to speculate on housing. Not surprisingly, the country has one of the highest rates of home ownership in the world at 63.2% in 2016. However, these policies violate horizontal equity and divert capital away from more productive uses. A capital-gains tax on all but the family home would cool the property market, especially in Auckland (population 1.4m). There is growing consensus among opposition parties and economists that this anomaly in the tax structure needs to tackled. Despite the concerns of government ministers that a capital-gains tax would be electorally unpopular, the majority of respondents to a recent opinion poll supported its introduction.

Third, regional development and governance structures. The economy is characterized by a large and increasing urban-rural divide, particularly regional economic growth, labor productivity and population growth. The government needs to create a focused regional policy both in metropolitan and rural areas. Regional economic policies should be accompanied by governance structures that geographically fit the problem area. The establishment of a unitary Auckland authority with an elected all-Auckland council has been a good starting point, but this should not be the end of local-government reform. A similar centralized structure for the Wellington area was rejected by a poll of the city’s residents in 2015. Auckland’s local government covers more than one-third of the total population of the country. This implies a heavily asymmetric local government structure vis-à-vis central government. The 2010 and 2011 earthquakes in the Christchurch and the Canterbury region, followed by a 2016 earthquake that hit the South Island provincial town of Kaikoura, has understandably dominated the government’s regional-development agenda, with most of its activities receiving praise. The potential for restructuring the regions on a more general scale should be evaluated.

Fourth, government as agenda-setter. New Zealand’s political system is still characterized by majoritarian design. There are no institutional veto players whose policy positions the government must consider (such as provincial or state governments, second chambers, constitutional courts, or local governments with constitutionally guaranteed powers). However, the change to a mixed-member proportional electoral system has led to a multiparty system, the emergence of several minor political parties with de facto veto powers, and the formation of minority governments. After more than a decade, this governing arrangement has proven relatively positive. Though parts of the electorate, especially older and more conservative voters, still need to be persuaded of the benefits of proportional representation.
Recent governments have been able to proactively pursue their respective policy-reform agendas with noticeable success. However, while successive governments have been able to implement the vast majority of their policies, the process has been very time-consuming and occasionally produced contradictory policy initiatives. In 2013, former prime minister John Key proposed increasing parliamentary terms from three to four years to promote policy coherence and consensus. The proposal had failed in two previous government-initiated referendums (1967 and 1990). Judging from comments made by opposition leaders, this new proposal appeared to have the support of both major parties. Though there was no evidence that public opinion had changed. It is possible that the government might adopt a different strategy for extending parliamentary terms, such as a vote requiring approval by 75% of members of the unicameral parliament.

Citation:
Policy Performance

I. Economic Policies

Economy

New Zealand is widely known for the significant structural policy reforms introduced in the 1980s and 1990s. Despite strong early public opposition, these reforms have had a largely positive impact, and the resulting policies have remained largely intact. Yet New Zealand is also often cited as a country for which free-market reforms have not yielded the improvements in productivity, economic growth and living standards that were anticipated and promised by reformers. Yet the demand for a return to growth became more insistent after the National government took office in 2008, substantive policy change since then has been relatively modest. Some have blamed the minority nature of the National government for the slow and incremental nature of change. However, given that National has been able to implement a vast majority of its economic initiatives, responsibility may have less to do with lack of support from its junior support parties than with the cautious, pragmatic and poll-driven nature of the government’s economic agenda under the leadership of Prime Minister John Key (2008-2016). This is not to ignore the wider context of the global financial crisis, which drove the New Zealand economy into recession, albeit less severely than in many other OECD countries. Fiscal surpluses, due in part to earlier reforms, swung to deficits. Getting back to a balanced budget has since been the pre-eminent issue on the government’s agenda. Data from Statistics New Zealand indicates that the economy grew by 3.6% in the year to June 2016, which is the third highest growth rate in the OECD group. According to the OECD Economic Outlook for New Zealand, economic growth is projected to slow to 3% in 2016 and 2.7% in 2017. Inflation is currently low, but is forecast to reach 2% in 2017.

Citation:
Labor Markets

Although the National government is reluctant to use direct interventions in the labor market, New Zealand’s labor-market policy has been relatively successful. The unemployment rate was 5.1% in August 2016. Averaged over time unemployment rates have risen less than in most OECD countries. In addition to longer-term measures to reduce non-wage labor costs, the government has concentrated on online information for job seekers (the Department of Labor’s Jobs Online Index) and on measures to build up skill levels in the workforce and address skill shortages. For a number of years, a major problem in this regard was the persistent loss of highly skilled workers to Australia. The volume of this expatriation rose at its peak to over 50,000 persons per annum, a significant loss for a country with a population of only 4.6 million. This trend has been stopped. In June 2016, net migration amounted to plus 69,100. However, skills shortages in the telecommunication, IT and construction sectors remain a problem. In April 2016, the Global Impact Visa policy was announced. A collaborative public-private sector approach, the policy aims to identify the best applicants from around the world and provide support as they integrate into the New Zealand economy. Regarding low-skilled work, the Essential Skills Policy facilitates the entry of temporary workers to fill employment shortages. The maximum duration of Essential Skills visas has been extended from three to five years. Areas of concern remain, such as the differentials between urban and non-urban areas, and with respect to Maori and Pasifika populations, which had an unemployment rate of 11.4% and 10.1% respectively in the second quarter of 2016, a moderate decrease compared to the year before. The unemployment rate for young people (10.7% in the second quarter of 2016) has been decreasing since 2008. This is mainly due to the government’s youth-based initiatives, including increased financial support for apprenticeship training, greater vocational preparation in schools and the introduction of a 90-day employment trial period. The rebuilding of Christchurch and the housing boom, especially in Auckland, stimulated economic growth. This has been sustained by sharp growth in tourism, a rise in net migration and an associated demand for housing, especially affordable housing targeted toward first-time buyers.

Citation:
Taxes

Taxation policy has successfully continued to promote competitiveness and the generation of sufficient public revenues. Regarding equity, governments have followed a policy of equal treatment of tax types, including income earned outside New Zealand, but at relatively low rates. The National government reduced rates across the board in 2010, but at the same time increased the goods and services (GST) tax from 12.5% to 15%. The government has postponed plans for a new round of tax reductions in the face of its “zero budget” priority policy, with the goal of bringing the economy back into surplus. While it has resisted pressure from some media outlets, opposition parties and other sources to introduce a stamp duty and/or capital-gains tax on residential investment properties, in 2015 it was forced to respond to the property boom in Auckland by imposing a tax on investors who sold their residential properties (other than the family home) within two years of purchase. As house prices continue to rise, quite dramatically in some regions, the Institute for Governance and Policy Studies in Wellington has argued that such a tax would increase government revenue and reduce distortions in the tax system. Moreover, it would address the issue of inequality in New Zealand. The 2016 budget provided 857 million NZD for Inland Revenue’s new tax administration system, which is supposed to meet public expectations, adapt to changing business models and reduce compliance costs for businesses.

Budgets

New Zealand’s budgetary policy is fiscally highly sustainable. However, the world financial crisis ended 14 years of budget surplus. The National government stated very early on that a return to high-debt levels would be imprudent, and made decisions designed to ensure that gross debt peaked below 40% of GDP in 2010, well below the OECD average. Since then, the government has maintained its course of fiscal consolidation. According to an OECD forecast, general government gross financial liabilities as a percentage of nominal GDP will rise from 41.9% in 2015 to 42.0% in 2016 and then decline to
41.8% in 2017. Although opposition parties were highly skeptical of the way it was achieved, the government posted a modest budget surplus of 275 million NZD in 2015, the first such surplus since 2008. This trend continued into 2016. The longer-term aim of bringing net debt down to 20% of GDP by 2020 appears to be more and more realistic. The government announced that it would only be willing to reassess this course if the economy were hit by a severe negative shock that might imply that sticking to the current fiscal strategy would harm the economy by forcing a sharp reduction in demand. The proposed sale of shares in targeted state-owned energy companies will help offset the government’s spending commitments.

Citation:

Research and Innovation

New Zealand policy regarding research and development (R&D) strategies and expenditure, high-technology employment and patent indicators is deficient, a situation criticized by the OECD. The OECD strongly recommends a coherent policy that makes more use of incentives for enterprises to invest in R&D and that steers and funds public infrastructure with regard to basic and applied research institutions. The problem does not seem to result from cumbersome bureaucratic procedures, but mainly has to do with New Zealand’s size and the geographical isolation, as well as the lack of large companies operating at an international level.

According to Statistics New Zealand’s Business Operations Survey, business spending on R&D has grown by more than 15% from 1.25 billion NZD in 2014 to 1.44 billion NZD in 2015. While the government has increased spending on tertiary training in the fields of engineering and science, domestic expenditures on R&D as a percentage of GDP place New Zealand well down the list of OECD countries, including its closest economic partner, Australia. New Zealand spent 1.2% of GDP on R&D in 2014, down from 1.3% in 2012. Funds have been provided for the establishment of privately led regional research institutes, agricultural and biological research partnerships, and natural-hazards projects. In October 2015, New Zealand’s first national science strategy, National Statement of Science Investment (NSSI), was launched. The statement aims to establish a long-term strategy for government investment in science. Despite these initiatives, government spending on R&D falls far short of levels in many other OECD countries.

Citation:
Global Financial System

As a globally oriented country with a high degree of international economic integration, including financial market integration, New Zealand has a strong interest in promoting a stable, efficient and transparent international financial system. There is a commitment to preventing criminal financial activities, including tax evasion. The Inland Revenue department’s audit activities focus on cases in which multinationals appear to be avoiding taxes. In May 2016, it was announced that New Zealand had joined an OECD initiative to allow all participating tax jurisdictions to exchange information on the economic activity of multinational corporations among participating countries. However, New Zealand is too small a player in the international arena to contribute proactively to the regulation and supervision of financial markets. It concentrates on regional arenas, such as the Asia-Pacific Economic Cooperation (APEC). Even here, the country has only limited ability to shape the regulatory process within multilateral institutions.

Citation:

II. Social Policies

Education

According to the OECD’s Education at a Glance 2016 Report, the performance across all levels of New Zealand’s education sector compares well with those of other developed countries. PISA scores in New Zealand are higher than the OECD average. However, despite these positive results, there are signs that educational performance is declining. There is growing evidence that children from particular socioeconomic backgrounds are struggling. Scores for Māori and Pasifika students, which have long been below average, are declining. The effects of socioeconomic disparities continue to be a major topic of public debate. In both primary and secondary education sectors, inequalities persist in school financing and students’ educational achievement, while affordability is affecting parents’ choice of school for their children. Free education is
frequently described as being a “myth” and the education-funding system is criticized for being too reliant on parent donations, which produces further inequalities. Tensions within the system were publicly illustrated by a recent teachers’ campaign in Auckland against the government’s education-funding scheme. On a more positive note, according to OECD data, teachers in New Zealand ranked 4 out of 35 countries for professionalism.

In the field of primary and secondary education, investment and participation rates are high, with teacher-student ratios being among the lowest in the OECD. The main elements of the current government’s approach to education include increasing participation of disadvantaged groups in early childhood education, encouraging students to stay in school longer by improving pathways to further learning and work, and raising teaching quality through increasing collaboration between schools.

As for tertiary education, New Zealand’s eight universities ranked in the top 450 universities worldwide, according to the latest QS World University Ranking, and in the top 600 universities worldwide, according to the Times Higher Education Ranking. Despite the disadvantage of geographical distance, the proportions of international students undertaking short-term study, as well as enrolling in the bachelors, masters and doctoral programs, are higher than the OECD average. Nearly half of all international students come from China and India. While graduation rates at undergraduate level are generally higher than the OECD average, graduation rates for students below 30 years old are in line with the OECD average. For masters studies, the graduation rate of 4% is significantly lower than the OECD average.

Tuition costs have been a source of some concern for NZ’s political parties. The three largest opposition parties (i.e., Labour, the Green Party and New Zealand First) are all committed to some version of free tertiary education. While this has been repeatedly rejected by the National government, because taxpayers were required to carry the burden of a previous Labour government policy of providing interest-free student loans. In September 2016, the Productivity Commission’s “New Models of Tertiary Education” recommended reinstating interest on student loans. It was categorically ruled out by the government.

A recent development has been the launch of “FindMyPath,” “a new website to help young people explore qualification pathways and figure out what they should study to achieve their career goals.” The policy aims to strengthen the link between education and the labor market.

In December 2015, the Pathway Student Visa pilot program was introduced for a period of 18 months with selected primary, secondary and tertiary institutions.
Immigrants with a Pathway Student Visa can undertake three consecutive study programs with selected education providers and the visas are valid for up to five years.

In vocational education, apprentice numbers and completion rates have increased. Furthermore, New Zealand ranks high among OECD countries for adult education.

Citation:

Social Inclusion

New Zealand has a long tradition of developing a more egalitarian society. Governments have established a comprehensive system of social security benefits, including income support. Increased efforts have been put into reducing general disparities, most evident between New Zealand Europeans and the Maori, Asian and Pasifika populations. These differences, however, are more of a reflection of economic, structural and geographic influences than race-based discrimination. With regard to gender equality, based on the ratio of female-to-male earned income, New Zealand has slipped behind in recent years, although, with a pay gap of 11.8% in 2015, it continues to rank among the top countries. In contrast, the rate of unemployment among Maori youth in 2014 was 22%, some four times above the national average. Pacific Island youth unemployment for the same year was at 25%. In recent years, there has been growing public awareness of the incidence of child poverty within New Zealand.

The housing problem is an ongoing and substantial social problem. Housing in New Zealand is more expensive than the OECD average, which affects the poor hardest. Today, the median house price in Auckland is about 10 times the median household income. The government is being criticized for responding too slowly and underestimating the seriousness of the housing problem. In January 2015, it announced the introduction of a Social Housing Reform
Programme. In September 2016, housing legislation came into force, which aims to further stimulate house building in Auckland and free up land for low-cost housing, especially for first-home buyers.

Citation:


Health

Since 2009, health reforms have encompassed the consolidation of regional hospitals and primary-care organizations, increased use of benchmarking and further decentralization. Although there is both public and private provision of health care, access to the publics hospital system is freely available to all residents. Health care is not only generally of a high quality, it is also cost effective and relatively efficiently managed. However, concerns about rising costs and a lack of productivity gains led to the appointment of a ministerial review group and a national health board in 2009, tasked with improving coordination between the government ministry and district health boards, and providing advice on the allocation of budgets. The gap in health status between Maori and non-Maori has been reduced, particularly regarding smoking-related illnesses and obesity. Gaps in life expectancy have been reduced but more remains to be done, including changes in behavior and lifestyle. Concerns about health disparities have been an ongoing concern, as noted by OECD reports.

Citation:


Families

The labor force participation rate of women is comparatively high. However, women have been more susceptible to unemployment than men following the global financial crisis. In 2015, the gender pay gap in New Zealand was 11.8%, a 2% increase from the previous year. Participation of women in the labor force, including business and politics (e.g. women make up only a third of members of parliament), is still well below that of men. Paid parental leave is funded by the government and covers loss of income for up to 16 weeks, with an extension to 18 weeks from 2016 onward. In June 2016, Finance Minister Bill English vetoed legislation introduced by a Labour MP seeking to extend paid parental leave to 26 weeks, arguing that this would have been too costly. Furthermore, as well as deploying his little-known veto power to override a parliamentary majority on the issue, English later admitted that he made a mathematical error while calculating the costs. From 1 July 2016, parental leave payments increased to reflect the 2.1% rise in the average weekly earnings.

Despite an effort to target resources to serve low-income families and beneficiaries, child poverty levels remain high. If the poverty line is determined to be less than 60% of the median household income, then some 285,000 children were considered to be in poverty in 2014. This has led to increased public criticism, for example by UNICEF New Zealand. Community-based efforts to provide needy children with food in schools have been supported by businesses and government initiatives.

A strengthening of family violence laws was announced in September 2016. According to the prime minister, “the rate of family violence in New Zealand is unacceptable.” This will involve reforming civil and criminal law. The list of proposed changes is available to read on the Ministry of Justice website.

Citation:

Pensions

New Zealand’s pension system is tax-based. It is relatively efficient, as it prevents poverty in old age with a relatively low level of public spending, measured as a percentage of GDP. The most recent innovation in this area is
KiwiSaver, introduced in 2007, a publicly-subsidized private pension plan offered on a voluntary basis. At the time of writing, KiwiSaver enjoys broad political support from both the government and main opposition party. Although introduced by a Labour government, the National government has implemented only minor modifications. KiwiSaver is a popular option. As of September 2016, more than 2.67 million people had joined the program. At the close of the current review period, the government was discussing the option to make enrollment mandatory. From the start of the scheme until May 2015, those who joined KiwiSaver received a 1,000 NZD tax-free “kick start” to their KiwiSaver account from the government. The government removed this incentive as part of its 2015 budget. However, despite its popularity, the KiwiSaver scheme has come under public scrutiny. A particular criticism has been the lack of transparency around account fee charges, as most KiwiSaver providers don’t inform customers of the exact amount charged for managing their accounts. Another public debate concerns where the KiwiSaver funds end up. It was revealed that, through KiwiSaver, New Zealanders have been investing in tobacco and weapons’ companies.

In the longer term, however, demographic changes mean that more effort must be made to encourage private savings as part of a strategic plan to address public sector affordability issues and intergenerational equity challenges. New Zealand’s recent history of economic downturn and rising unemployment discouraged private saving. As conditions have improved, however, the issues of intergenerational equity and affordability have focused attention on reform. The OECD has suggested improving fiscal sustainability through the raising of the retirement age, while slowing the pace of growth in benefit payments, and through removing subsidies, especially to high-income members. So far, the government has resisted pressure from some economic and social forecasters, party leaders, and media voices to gradually increase the age of pension eligibility from 65 to 67 years; indeed, prior to the 2014 election the prime minister threatened to resign rather than adopt a retirement age of 67 years as government policy. One proposal coming from a government support party, United Future, was to encourage a higher retirement age by increasing the pension rate for those retiring at 70, while allowing retirees to take their pensions at lower rates from the age of 60.

Citation:
Integration

Today, New Zealand is a prime destination for immigrants. Typically, New Zealand attracts between 40,000 and 50,000 new immigrants each year, and 2015 to 2016 was a record year for net migration with slightly less than 70,000 people moving to New Zealand on balance. The increasing numbers of immigrants who become New Zealand citizens reflects the country’s willingness to promote integration. Based on labor market and education system indicators, integration policy has been quite successful. New legislation was enacted in 2015 to ensure that migrant workers had the same employment rights as all other workers in New Zealand. These measures are reflected in the views of most immigrants who, despite socioeconomic difficulties, are satisfied with their situation (87% are satisfied or very satisfied according to a survey in 2012, compared to 75% in 2011 and 70% in 2009). The government expects that the Immigration Global Management System (IGMS) and the Global Service Delivery Model (GSDM) will improve matters yet further. In April 2016, the new Global Impact Visa policy was announced. It is a collaborative public-private sector approach to attract international applicants with sought-after skills. To some degree, the overall good performance has to do with the fact that New Zealand employs a points-based selection system that helps to attract immigrants who are relatively self-sufficient financially and can be easily integrated in the labor market. Indeed, the Immigration Act 2009 clearly states for the first time that skilled immigration is preferred in New Zealand. The appeals procedure has been streamlined, and the decision to grant entry can now be based on “classified information” with regard to security matters or criminal conduct. Nevertheless, visa procedures are still complex, and dealing with immigration bureaucracy can be tricky for applicants.

More problematic are the challenges for lesser-skilled immigrants, who experience difficulties in settling in New Zealand when they are unable to bring over other family members. Sustained economic growth during the global financial crisis, together with the Christchurch rebuild following the 2010 and 2011 earthquakes, and Auckland’s recent house-building boom, have provided significant employment opportunities for migrant workers.

Although the government has been reluctant to increase its quota of refugees, public pressure led to a decision in 2015 to double the quota, with the government agreeing to take an additional 600 Syrian refugees on top of an annual intake of 750 refugees. Even Winston Peters, the leader of the New Zealand First party, supported an increase in refugee numbers, despite having built his party in the 1990s on an anti-immigration and anti-refugee platform. In January, March and May 2016, some Syrian refugees were accepted into New Zealand under special provisions.
An interesting recent event has been the launch of the People’s Party of New Zealand for the Indian and other Asian communities which is going to campaign in the upcoming elections on “issues such as crime” aimed particularly at immigrant groups, such as shop-keepers. The party has ambitions of winning seats in Parliament.

Citation:

Safe Living

New Zealand’s internal security is the responsibility of the police. By tradition, the prime minister takes ministerial responsibility for the national security and intelligence portfolio, although John Key broke with that tradition in 2014 by handing over day-to-day responsibility for intelligence services to the attorney general.

The New Zealand Security Intelligence Service (NZSIS) and the Government Communications Security Bureau (GCSB) provide advisory services. In August 2016, the New Zealand Intelligence and Security Bill 2016 was introduced. The bill has reformed legislation and enhanced transparency of New Zealand’s intelligence and security agencies. Expenditures for public order and safety are relatively high and growing, as New Zealanders feel crime to be a salient issue. Recent crime statistics show a considerable decline in criminal offense – partly as a result of an aging society in which the age groups that statistically commit more crimes are shrinking, and partly as a consequence of increased expenditures for police, criminal justice and prison services. However, there was a 2.3% increase in the victimization rate for the year to July 2016 due to an increase in burglaries.

Internal security threats are also addressed through a Combined Threat Assessment Group (CTAG) which involves staff seconded from NZSIS, the New Zealand Police, the New Zealand Defense Force, the GCSB, the New Zealand Customs Service and Maritime New Zealand. CTAG provides assessments on terrorist or criminal threats intended to create physical harm to
New Zealand citizens or affect New Zealand interests at home or overseas, based on all information sources within the New Zealand government.

Citation:

Global Inequalities

New Zealand is highly committed to tackling global socioeconomic inequalities. Its aid program is managed by the Ministry of Foreign Affairs and Trade. It is coherent and efficient in prioritizing economic development (New Zealand is ranked fifth of 41 countries by the Center for Global Development with regard to the quality of its development assistance), despite being criticized by some NGOs. Free access to global markets for developing countries is high on its agenda. The government openly argues for its development program to be used for diplomatic and trade outcomes, and not solely development outcomes. Geographically, New Zealand focuses on countries in the Association of Southeast Asian Nations (ASEAN) and in the South Pacific, although significant funding is channeled through multilateral and international agencies.

Citation:

III. Environmental Policies

Environment

The performance of New Zealand’s environmental policy is mixed, but improving. In the 2016 Environmental Performance Index, New Zealand ranked 11 out of 180 countries. However, this particular ranking should not detract from
the fact that New Zealand holds only an average overall position in the group of OECD countries. Major environmental problems stem from New Zealand’s economy, which is heavily dependent on agricultural production and particularly dairy. Areas of concern include water usage and management and greenhouse gas emissions. The main policy tool for tackling greenhouse gas emissions is New Zealand’s Emissions Trading Scheme. However, the effectiveness of the scheme is limited, as biological emissions from agriculture and transitional arrangements are excluded. This has halved the carbon price that carbon emitters have had to pay. According to OECD recommendations, the government should address the issue of high greenhouse gas emissions from agriculture through pricing, regulation and R&D, while transitional agreements should be terminated. The Climate Change Issues Minister Paula Bennett highlighted the need to reform the Emissions Trading Scheme to achieve New Zealand’s target for reducing emissions as agreed at the Paris climate conference in December 2015. Water usage and deforestation, in contrast, are of much less concern, as logging in indigenous forests on public land has ceased and on privately owned land can only be carried out with a permit (although several major forests will reach maturity in the next few years). Finally, biodiversity is an area in which all recent governments have been quite active. Due to New Zealand’s isolated location, its biodiversity is one of the most varied in the world, with a high percentage of vulnerable endemic species. Substantial public interest in environmental issues is evidenced by high levels of support for environmental-interest groups (e.g. Greenpeace and Forest and Birds Society) and the significant influence of the Green Party. Due to this public interest, environmental policy has been a necessary part of the government’s agenda. On the other hand, the government’s critics accuse it of pandering to farmers, especially the rapidly expanding dairy industry, who are among National’s strongest supporters, and failing to take a strong stance in supporting international environmental agreements such as the Kyoto Protocol.

The problem of gathering and systemizing environmental data was addressed with the introduction of the Environmental Reporting Act in September 2015. This establishes a broad framework of five key areas for the scope of reporting, namely air, climate and atmosphere, freshwater, marine and land, with biodiversity included in all areas. This followed the restructuring of the Environment Ministry to strengthen its policy capability and the creation of the Environmental Protection Authority. These initiatives form part of the government’s blue-green agenda for improving New Zealand’s environmental institutions. Moreover, New Zealand had previously been the only OECD country without a statutory requirement for the state reporting of environmental data.

Citation:
Environmental Performance Index 2016 (Yale/Columbia: Yale University/Columbia University 2016)
Global Environmental Protection

New Zealand has a mixed record with respect to its contribution to the global environmental protection regime. After initially committing to the Kyoto protocol, a change of government resulted in the decision to withdraw from the treaty. Nevertheless, the government has committed to reducing emissions to 30% below 2005 levels by 2030. However, the country would not be able to achieve this goal if the off-setting effects of its forestry policies were to be excluded. In accordance with the Paris Agreement on climate change, New Zealand committed to reduce greenhouse gas emissions to 5% below 1990 levels by 2020. (The new post-2020 target is equivalent to 11% below 1990 levels by 2030). The government plans to ratify the Paris Agreement on climate change by the end of 2016. In December 2015, the government announced that New Zealand would ratify the Doha Amendment to the Kyoto Protocol and continue to apply the Kyoto rules under the United Nations Framework Convention on Climate Change. The formal ratification took place in November 2016.

Citation:
Quality of Democracy

Electoral Processes

The registration procedure for political parties and individual candidates in New Zealand, as specified in the 1993 Electoral Act, is fair and transparent. Following the Electoral (Administration) Amendment Act 2010, the tasks of the Electoral Commission and of the Chief Electoral Office have been combined within the Electoral Commission, which started work in October 2010.

The Electoral Act specifies that registered political parties follow democratic procedures when selecting parliamentary candidates. While the two major parties adopt a mixture of delegate and committee systems when making their selections, the Greens give their membership the final say. The small parties by contrast tend to be more centralized both in the way they select constituency candidates and in the compilation of their party lists. Since the Act was passed, there has been only one formal challenge alleging that proper procedures had not been followed. The resulting judicial challenge was unsuccessful.

Allocation of election broadcasting time and funds in New Zealand’s multiparty system are based on several criteria, including: share of the vote during the previous election; seats in Parliament; party membership; and results of opinion polls. The process is monitored by the independent Electoral Commission, and follows procedures laid down in the Electoral Act 1993 and the Broadcasting Act 1998. This ensures the fair coverage of different political positions, although the process has been criticized for favoring parties in decline and disadvantaging emerging parties that have yet to contest an election. Funding of political campaign broadcasts by non-party actors, and the debate over public versus private funding of political parties and campaigns are yet to secure cross-party agreement.
Media coverage of political issues is generally fair and balanced. Although in some previous elections televised debates included the leaders of all parliamentary parties, during the 2014 general election the main debates were restricted to the leaders of the two major parties, with the leaders of the small parties being invited to debate separately. In addition to concerns about the fair treatment of minor parties in a multiparty system, the two-tiered arrangement stifled public debate of a possible multiparty government.

New Zealand’s electoral process is inclusive. The voting age was lowered from 21 to 20, and then again to 18 in 1974. Permanent residents of 12 months standing are given the right to vote in national elections. For those who move offshore, they remain eligible to vote, providing they return home every twelve months. Citizens who live elsewhere retain their eligibility for three years. While it is compulsory to register to vote, the act of voting is voluntary (despite facing a potential fine, a growing number of young voters choose not to register). Indigenous Maori may register to vote on either the Maori electoral roll or the general roll. There are seven designated Maori seats in the current legislature. Additional Maori representatives are elected on the general roll. Electoral boundaries are redistributed every five years. Beyond legal regulations, there are focused and ongoing activities, especially by the Electoral Commission, to increase political efficacy and turnout by ethnic minorities, those with disabilities, as well as young voters. In 2014, it announced plans to implement a phone dictation voting service for blind voters and those with physical disabilities that prevent them from marking their voting paper independently and in secret. Whereas electoral turnout in the postwar period tended to fluctuate between 85% and 91%, in 2014, turnout has increased for the first time since 2005, with some 78% of voters participating in the 2014 election. Registering for an election can be done electronically. Registered voters then receive an “easy vote” pack with further voting information.
Party Financing
Score: 8

Party financing and electoral campaign financing is monitored by the independent Electoral Commission. Registered parties have upper ceilings regarding election campaign financing (including by-elections). Upper limits for anonymous donations as well as donations from abroad are comparatively low. In 2012, a government minister, John Banks, was accused of breaching the Local Government Act 2002 by failing to disclose the sources of three substantial donations made to his 2010 Auckland mayoral campaign, which he declared as anonymous. In mid-2014 the Local Government Amendment Act came into force, which aims to bring local election laws into line with the provisions of the aforementioned Electoral Amendment Act.

Citation:

Popular Decision-Making
Score: 5

New Zealand belongs to a small group of countries (the others being Italy and Switzerland) where citizens have the right to propose a national referendum. In addition, referendums are regularly initiated and are an important part of domestic politics. However, these citizens’ initiated referendums (CIRs) are legally non-binding.

CIRs were first introduced in 1993, the year the government held its own binding referendum on the reform of the electoral system. While a total of 46 CIR petitions have been launched to date, only five have come to a vote, with other proposals either failing to meet the signature target (10% of registered voters within 12 months) or having lapsed.

All five referendums secured majority support, but were subsequently rejected by the government in office at the time. Whereas CIR supporters contend that the “will of the majority” is being ignored, a consensus exists among leaders of the major political parties that the non-binding provision in CIRs should be retained. Most CIRs are initiated by individuals or small groups. In marked contrast, a petition on the political agenda against the further privatization of state assets was sponsored by the Green, Labour and New Zealand First parties. While the petition exceeded the required number of signatures, it was overtaken by events, with the sale of shares in the first of the designated state assets taking place before the date of the referendum had been determined. From its perspective, the National government argued that its 47.3% share of the vote at
the previous election (compared with Labour’s 27.5%) gave it a mandate to proceed, especially since the government’s intentions had been made explicit well in advance of the election.

Citation:
Information by the Electoral Commission.

Access to Information

Freedom of the media is regulated by the Broadcasting Standards Authority. In addition, it is safeguarded by the New Zealand Press Council, an independent organization that hears complaints from consumers and publishes annual reports. There is an ongoing discussion whether the current situation adequately deals with new media as well as traditional media outlets. In 2011, the New Zealand Law Commission proposed to establish a new independent regulator (the News Media Standards Authority) that would replace the current dual public-private regulatory regime. By December 2016, this recommendation had yet to be adopted by the government.

In 2015, the Office of the Ombudsman undertook a “quality-assurance” review of the Official Information Act (OIA). It confirmed that there had been a number of complaints regarding delays in the government’s response to applications for information under the provisions of the OIA, as well as regarding the incompleteness of the information provided.

New Zealand’s media market has been affected by major changes in the last few years. Private-media companies are increasingly subject to influence by their well-funded owners. Private and public companies are replacing public-interest content with programs seeking high audience ratings. In September 2011, the New Zealand Press Association, New Zealand’s largest news agency, closed. It was replaced by three news services, which are all Australian-owned. Consequently, New Zealand is now one of only a handful of countries that does not have a domestically owned news agency.

New Zealand’s media market is dominated by foreign companies (mainly from Australia), although there are two public television stations (Maori TV, TVNZ)
and one national public radio station called Radio New Zealand. Sky TV monopolizes pay TV. However, Igloo, a joint Sky Network Television and Television New Zealand (TVNZ) venture, has made a small selection of pay TV channels available at low cost since 2012.

In September 2016, two Australian media giants, Fairfax and APN, signed a deal to merge their New Zealand businesses, Fairfax NZ and NZME respectively. The deal is currently under review by the New Zealand Commerce Commission as the new company would have a near monopoly in the newspaper market.

Bloggers have gained prominence as an alternative to traditional media offers. Some of them concern themselves with political affairs and reach high numbers of visitors.

Citation:


Access to government information is regulated by the Official Information Act 1982. It is based on the principle that all official information should be made available to the public, but that there are restrictions with regard to the protection of the public interest (for example, national security or international relations) and the preservation of personal privacy. There are clear procedures in how queries are handled by public bodies, including a time frame of 20 working days. The Office of the Ombudsman reviews denials of access upon request. Decisions are binding, but there are no real sanctions for non-compliance. Following a number of precedent-setting decisions by the office in recent years, access to official information is now far-reaching, including access even to politically sensitive communications between political advisers and ministers as soon as these communications are made. The Official Information Act has been reviewed several times. Proposals for reform have included a reduction in the time-frame for dealing with requests for official information; and more resources for the Office of the Ombudsman. These reforms have not yet been implemented. The office has instead concentrated on organizational restructuring to achieve more efficiency and effectiveness. This has to be viewed in light of the steep rise in the number of complaints the office has had to deal with in recent years. In 2012, a review of the Official Information Act by the New Zealand Law Commission resulted in several recommendations, including the appointment of a statutory officer to provide oversight over the legislation’s implementation. The primary purpose behind such a role is to
provide leadership in the training and education of officials, as well as to help publicize developments. The government has yet to act on these recommendations. Recently, there has been a debate over the Reserve Bank decision to charge for most Official Information Act responses. A Dominion Post editorial claimed that this was undemocratic, calling it “the tax on democracy itself.” The Reserve Bank responded by saying that this policy is a “common, fair and reasonable response to a marked growth of OIA requests.”

Citation:
New Zealand Law Commission,‘The Public’s Right to Know: Review of the Official Information Legislation’ (R125, Wellington, July 2012)

Civil Rights and Political Liberties

Civil and human rights protection is based on the Bill of Rights Act 1990 and the Human Rights Act 1993, which defines the tasks of the Human Rights Commission. The commission actively promotes compliance with civil and human rights by public bodies and in society. Recent activities concern rights within the Treaty of Waitangi and a Human Rights Action Plan 2005 with regard to violence against women and children and maltreatment in prisons and mental institutions. These have led to various activities, such as the establishment of a high-level taskforce for action on sexual violence, chaired by the secretary for justice, to advise the government. Amnesty International reported in its Annual Report 2012 that it had met with parliamentary members to discuss progress made with regard to social, economic and cultural rights (e.g., the Marine and Coastal Area (Takutai Moana) Act 2011). New Zealand signed the Optional Protocol to the U.N. Convention on the Rights of the Child on the sale of children, child prostitution and child pornography in September 2011.

The powers of the Communications Security Bureau to conduct surveillance on New Zealanders has recently been the subject of scrutiny by civil rights, Internet and legal groups, including the New Zealand Law Society. The Government Communications Security Bureau (GCSB) and the Related Legislation Amendment Bill, which was debated in parliament in 2013, extended the provisions under which the GCSB could investigate and gather information on residents and citizens. This bill amended the GCSB Act 2003, which stipulated that the GCSB’s role was to conduct foreign, not domestic, surveillance. Prior to and during the 2014 election campaign, the activities of the GCSB came under close scrutiny. Controversially, New Zealand continues to be an active member
of the so-called Five Eyes network, a government-level alliance that shares intelligence information on a global scale.

In August 2016, the New Zealand Intelligence and Security Bill 2016 was introduced. The bill modifies existing legislation and enhances transparency of New Zealand’s intelligence and security agencies. The introduction of the bill resulted in a significant increase in the scope and powers of the GCSB. According to the Human Rights Commission, although the bill is a significant improvement in legislation, “there are aspects of the bill which are still of concern,” notably the definition of national security.

Citation:

The Bill of Rights Act 1990 guarantees unlimited political rights to think, speak, assemble, organize and petition without interference. Those who believe that their rights have been infringed upon can file a suit before the High Court. In addition, the New Zealand Council of Civil Liberties is an active, non-governmental organization that promotes these liberties. Freedom House assesses the situation of political rights in New Zealand as excellent. Despite being widely accepted as an important feature of New Zealand’s constitutional arrangements, the provisions of the Bill of Rights are not supreme law; that is, they have never been entrenched. During 2012 and 2013, a constitutional advisory panel appointed by the government sought the public’s view on whether the Bill of Rights should be expanded to include additional rights and be entrenched. It ultimately recommended that consultation on these issues should be continued.

Citation:

Anti-discrimination legislation is outlined in a number of acts, including the New Zealand Bill of Rights Act 1990, the Privacy Act 1993, and the Human Rights Amendment Act 2011 (establishing the position of a full-time disability rights commissioner within the Human Rights Commission). Even more important, the Human Rights Commission actively promotes anti-discrimination measures focusing on populations such as Maori and women. Cases of discrimination are rare, but they do occur. Maori are disproportionately
represented in the prison population, which may point to problems of discrimination, as has been highlighted by the United Nations Human Rights Committee. A lasting problem is the extent to which the Treaty of Waitangi as the basis of the relationship between Maori and the state is embedded in the general legal order. The complexities of this problem have been highlighted in the controversy over the ownership of the country’s foreshore and seabed, with many Maori groups claiming that Maori had a rightful claim to the title, based on the Treaty of Waitangi. More recently, the conflict over the Kermadec marine reserve sanctuary led to tensions between the minority National government and one of its key parliamentary allies, the Maori Party. The conflict led the Maori Party to threaten to end its supply agreement with National, which would have undermined parliamentary confidence in the minority government. The government reacted by postponing a final decision on the project.

Citation:

Rule of Law

Although New Zealand, following the British tradition, does not have a codified constitution but instead a mix of conventions, statute law (Constitution Act 1986, Bill of Rights Act 1990, Electoral Act 1993 and the Treaty of Waitangi) and common law, the executive acts according to the principles of a constitutional state. A number of independent bodies, such as the Office of the Ombudsman, strengthen accountability.

In “A Constitution for Aotearoa New Zealand,” former prime minister Sir Geoffrey Palmer proposed a codified constitution for New Zealand. As of the end of September 2016, comments on the proposals were being sought from the public. However, based on previous public responses to written constitutions, it is likely that commentary will be restricted largely to the legal and academic communities.

Citation:
Judicial Review
Score: 10

New Zealand does not have a constitutional court with concrete or abstract judicial review. While it is the role of the judiciary to interpret the laws and challenge the authority of the executive where it exceeds its parliamentary powers, the judiciary cannot declare parliamentary decisions unconstitutional. This is because under a Westminster system, parliament is sovereign. The courts may, however, ask the House of Representatives to clarify clauses. There is an extended and professional hierarchical judicial system with the possibility of appeals. Since 2003, the highest court has been the Supreme Court, taking the place of the Judicial Committee of the Privy Council in London that had in the past heard appeals from New Zealand. An institution specific to the country is the Maori Land Court, which hears cases relating to Maori land (about 5% of the total area of the country). Equally important is a strong culture of respect for the legal system.

Citation:

Appointment of Justices
Score: 8

Although judicial appointments are made by the executive, it is a strong constitutional convention in New Zealand that, in deciding who is to be appointed, the attorney general acts independently of political party considerations. Judges are appointed according to their qualifications, personal qualities and relevant experience. The convention is that the attorney general mentions appointments at cabinet meetings after they have been determined. The appointments are not discussed or approved by the cabinet. The appointment process followed by the attorney general is not formally regulated. There have been discussions of how to widen the search for potential candidates beyond the conventional career paths, but not with regard to a formal appointment procedure, as there is a widespread belief that the system has worked exceptionally well. In practice a number of people are consulted before appointments are made, including the opposition’s justice spokesperson as well as civil-society groups. In 2012, a review by the New Zealand Law Commission recommended that greater transparency and accountability be given to the appointment process through the publication by the chief justice of an annual report, as well as the publication by the attorney general of an explanation of the process by which members of the judiciary are appointed and the qualifications they are expected to hold. The government indicated that it intended to adopt a number of the Law Commission’s recommendations. These have yet to be implemented.

Citation:
Paul Bellamy and John Henderson, Democracy in New Zealand (Christchurch: MacMillan Brown Centre for Pacific Studies, 2002).
New Zealand is one of the least corrupt countries in the world. Prevention of corruption is strongly safeguarded by such independent institutions as the auditor general and the Office of the Ombudsman. In addition, New Zealand has ratified all relevant international anti-bribery conventions of the OECD and the United Nations. All available indices confirm that New Zealand scores particularly high regarding corruption prevention, including in the private sector.

Citation:
Governance

I. Executive Capacity

Strategic Capacity

The core executive in New Zealand is organized according to new public-management approaches and methods. Most importantly, contracts are negotiated between ministers and chief executives. With the large number of government departments and ministers (28), most of whom are responsible for several portfolios, taking a whole-of-government approach to policy development can be complex and time-consuming. Recent governments have reacted to concerns about fragmentation by recentralizing the steering capacity of the core executive. The most important government departments involved in strategic planning and policy formation are the central agencies of the Department of the Prime Minister and Cabinet (DPMC), the State Services Commission (SSC) and the Treasury. All contracts (performance agreements and departmental statements of intent) support a cooperative and whole-of-government policy approach, though evaluation of the performance assessment of chief executives has a strong focus on departmental achievements. The National government has sought to achieve substantial efficiency reforms without a major reorganization of public sector departments and ministries. This has led to various initiatives, such as greater rationalization and coordination with respect to back-office functions (such as IT, payroll and procurement) with a view to achieving savings which can be shifted to delivering frontline services. Since chief executives are on contract and employ staff, these changes can occur only with their support and cannot be imposed on individual departments.

Developing strategies to enhance public sector performance management has been progressing for some time. Since the government has imposed a cap on the size of the state sector, these measures are aimed at securing greater efficiency, effectiveness and performance across the sector. Recent initiatives include the Better Public Services (BPS) program and the Policy Project
Frameworks. BPS aims to build efficient and effective public services by emphasizing outputs, strengthening leadership, and providing better services and greater value for money. In August 2016, the Policy Project Frameworks aims to improve government infrastructure around policy capability, skills and advice.

The prime minister can draw on only moderate strategic-planning capacity (in the form of a policy-advisory group) vis-à-vis ministers. Ad hoc groups, often including some outside expertise, are increasingly used to complement government agencies' policy-advisory function.

In terms of frequency and intensity of policy advice, the relevance of external academic experts for governmental policymaking depends on the subject area. Non-governmental academics with technical expertise can have a significant role in policy areas such as health, energy, social policy and tertiary education. In general, the importance of scholarly advice is increasing. The most recent initiatives in this regard include the establishment of a Maori Language Advisory Group and an expert panel tasked with overseeing the overhaul of Child, Youth and Family, a service agency subordinate to the Ministry of Social Development.

Interministerial Coordination

The policy-advisory group in the Department of Prime Minister and Cabinet (DPMC) currently consists of 14 staff members covering a broad spectrum of policy expertise. They are in constant contact with the prime minister and
provide advice on all cabinet and cabinet committee papers. They also engage in coordinating interministerial cooperation. The policy-advisory group provides direct support to the prime minister on specifically commissioned initiatives, such as the prime minister’s “Tackling Methamphetamine” Action Plan. In 2015, a Legislation Design and Advisory Committee (LDAC) was established with the aim of improving the quality and effectiveness of legislation. The LDAC advises departments regarding the design and content of bills while still in the development stage.

Citation:
Annual Report for the Year Ended 30 June 2014 (Wellington: Department of the Prime Minister and Cabinet 2014).

GO Gatekeeping
Score: 9

The key policy adviser in the Department of Prime Minister and Cabinet (DPMC) plays an influential role in policy processes and regularly intervenes to “pull” cabinet papers that are deemed to be inadequate in some way.

Citation:
Confidential information by a policy adviser in the DPMC.

Line Ministries
Score: 9

If line ministries prepare a policy proposal, they are obliged to consult other ministries that are affected as well as the coordinating units, the Department of Prime Minister and Cabinet (DPMC), the Treasury and the State Services Commission. There are clear guidelines which not only de jure but also de facto govern the coordination of policy formulation in the core executive.

Citation:

Cabinet Committees
Score: 9

There are clear guidelines for policy formulation in the New Zealand core executive. All policy proposals are reviewed in cabinet committees. Full cabinet meetings therefore can focus on strategic policy debates and policy conflicts between coalition partners or between the government and its legislative support parties in the House of Representatives. In quantitative terms, from 1 July 2014 to 30 June 2015, the full cabinet met 39 times while cabinet committees met 121 times. A revised cabinet committee structure was implemented in October 2014 following the formation of the government after the 2014 general election. This resulted in the disestablishment of one cabinet committee, reducing the overall number from 11 to 10. Key committees include Economic Growth and Infrastructure, Social Policy, and Cabinet Legislation.
The cabinet process is overseen by the cabinet office on the basis of clear guidelines. Departmental chief executives typically meet with ministers prior to cabinet meetings to discuss the agenda and clarify matters. The amount and effectiveness of policy proposal coordination varies a great deal depending on the policy field. However, there is clearly coordination in the preparation of cabinet papers and demanding processes specified in cabinet office circulars.

In addition to formal coordination, there are a number of informal channels between coalition partners, government and legislative support parties, and ministers and their parliamentary parties. However, the Cabinet Manual seeks to at least formally clarify which procedures should be used as a guideline in case of informal coordination. For instance, Cabinet Office Circular CO (15) 1 “National-led Administration: Consultation and Operating Arrangements” defines the relationship between government ministers and ministers from parties that are not officially part of the government: “Support-party ministers are not members of cabinet. From time to time, support-party ministers and other ministers outside cabinet may seek the prime minister’s agreement to attend cabinet when significant matters within their portfolios are being addressed.”

Evidence-based Instruments

Following its restrictive policy regarding regulation, the National government introduced a guideline in late 2009 with the effect that regulatory impact assessments (RIAs) are systematically undertaken for any policy activity involving options that may result in a paper being submitted to the cabinet and may accordingly lead to draft legislation. This aims at restricting new regulations to those that the government sees as necessary, sensible and robust, while avoiding regulations that are ineffective and costly.
Quality of RIA Process Score: 9

The Treasury’s Regulatory Impact Analysis Handbook offers comprehensive guidance with regard to consultation within government as well as with stakeholders, to transparency, and to quality evaluation. The major instrument for consultation and transparency is the regulatory impact statement (RIS). Independent quality assurance is to be obtained either by a unit located within the Treasury or through a suitable internal review process. A quality-assurance statement is to be provided in the cabinet paper.

Citation:

Sustainability Check Score: 9

Without using the term “sustainability,” the regulatory impact assessment (RIA) process includes major aspects of this concept’s underlying idea. Part of the quality-assurance monitoring process is to check whether all substantive economic, social and environmental impacts have been identified (and quantified where feasible). In addition, it is an integral part of RIAs to plan for regulatory-instrument reviews that consider the following issues: Is there still a problem (and is it the one originally identified)? Are objectives being met? Are the impacts as expected? Are there any unforeseen problems? Are there any indirect effects that were not anticipated? Is intervention still required? Is the current intervention still the most appropriate, or would another measure be more suitable?

Citation:

Societal Consultation

New Zealand has a strong tradition of broad policy consultation with interest groups and with its citizens. The need for consultation has been enhanced recently by two developments. One is the change to a multiparty system and the formation of minority governments, which require the support of smaller parties to be able to pass legislation. The other relates to a greater diversity and sophistication of voters, with political views that are more difficult to predict and no longer fit within a simple left-right dynamic. While it may be the case that the ideologies of some parties may make them more compatible than others, under a mixed-member proportional (MMP) system it is not always
easy to predict where a minor party will sit on a particular issue. Moreover, elected representatives of local governments have generally avoid partisan affiliations, and local governments have a tradition of consulting with their citizens and communities, and consultation is mandated in many cases under the Local Government Act 2002. Consultation is also commonly used by central government agencies with respect to new policy initiatives. When a consultation has taken place, the details of consultations, internal and external, need to be set out in regulatory impact statements. While parliamentary select committees hold hearings on proposed legislation once it has been introduced in parliament, giving individuals and organizations the opportunity to make written or oral submissions, the incidence of by-passing select committees by introducing bills under urgency is growing. In late 2015, for example, a high-profile law to monitor the activities of New Zealand citizens with criminal records who had been deported from Australia was passed under conditions of urgency, thereby precluding any opportunity for public input or debate. In 2014, the government allowed a mere three days of public submissions as part of a review of New Zealand’s anti-terrorism laws. In addition to the aforementioned tools for measuring public opinion, both the government and organizations that are likely to be affected by policy outcomes make increasing use of opinion polls, media and online comment, and focus groups. One such initiative was the establishment of a Rules Reduction Taskforce by the local government minister in October 2014. The taskforce held community meetings across the country to hear complaints from property-owners groups and local government about ineffective property rules.

Citation:

Policy Communication

The coherence of government communication strongly depends on the topic under consideration. All recent governments have been of the minority type, which has increased the chances of conflict between the governing party and its small support partners. This may include disagreement over what constitutes an electoral mandate, as well as accusations of broken promises when sacrifices have to be made during the course of the post-election negotiating process. Successive minority governments have freely acknowledged that tension is part and parcel of the governing process under a mixed-member proportional (MMP) system, with an “agree to disagree” clause being all that may separate the government from instability and collapse. That said, MMP governments have been remarkably stable, with
only one early election (2002) since the advent of the proportional electoral system in 1996.

Citation:

Implementation

Throughout the review period, National governments held minority status, although the current one, with 47% of the vote and 59 out of 121 seats, has come closer to majority status than any other under MMP (indeed, the last time a party gained over 50% of the vote was in 1951). Minority status implies that the government has to anticipate the policy preferences of other parties in parliament and needs to seek legislative support on an issue-by-issue basis. Nevertheless, minority and minority-coalition governments have been relatively successful in implementing their agendas. The current National minority government’s medium-term priorities continue to focus on: building a stronger and more competitive economy; responsively managing the government’s finances and ensuring a budgetary surplus; and selectively funding major infrastructure developments and public services.

Although it is too early to comment definitively, the government is making progress toward most of these objectives.

Citation:

There is a strong tradition of collective responsibility of the cabinet. Ministers are allowed to disagree over policy initiatives, even in public, but once a decision has been made in cabinet they have to follow the collective will. The Cabinet Manual 2008 is very explicit about this. The prime minister has the power to appoint and dismiss ministers (formally it is the governor general who does this on the advice of the prime minister). In reality, however, whereas the National cabinet is chosen by the prime minister, Labour’s is subject to an election by all of its MPs, with the prime minister’s direct power being largely limited to the allocation of portfolios. Naturally, in coalition governments or minority governments with support agreements with other parties, the prime minister’s power over the personnel of another party is restricted. Collective responsibility within a formal coalition arrangement is strengthened by an extensive list of coalition management instruments based on a comprehensive coalition agreement with regard to the legislative agenda but also procedures to ensure coalition discipline. On the other hand, there are
procedures for dealing with a minority government. The current National minority government has been building on the experience of earlier minority governments on how to ensure ministerial compliance under a confidence and supply mandate. In its Cabinet Office Circular CO (15) 1 “National-led Administration: Consultation and Operating Arrangements,” the government at the time of writing specified the nature of its agreements with support parties that receive ministerial appointments outside of cabinet. While such ministers may disagree with government policy if it lies outside their ministerial responsibility, they are bound by collective responsibility on issues within their portfolio.

Citation:

Following from the experience of fragmented policymaking in vertically integrated networks, all recent governments have strengthened the steering capacity of the core executive. All contracts between cabinet and line ministries and ministers and chief executives are based on a whole-of-government policy approach. The National government has introduced a performance-improvement framework intended to strengthen a central-agency approach to assessing, supporting, informing and focusing performance across state services.

Citation:

The monitoring of executive agencies is based on the same procedures governing line ministries.

Citation:

The New Zealand governmental system is highly centralized. Local-government structures, which are lean and generally uniform, raise only about 5% of total government tax revenues. However, local autonomy in setting tax rates and bases is greater than in any other OECD country. The main source of local tax revenues is the so-called rates, which are taxes on real-estate holdings. At the time of writing, local governments had full discretion to set rates, subject to a general balanced budget requirement. Other revenue sources include user charges and fees. Local government officials have been lobbying central government for the right to raise revenue from additional sources, including road tolls and a gasoline tax. To date, their lobbying has been unsuccessful. There are no block grants from central to local government, but the central government contributes funding to specific local-government
functions, in particular transportation as well as road construction and maintenance. For example, a major new city rail link in Auckland is being funded by a combination of local and central government money. The National government has reformed the Local Government Act with the aim of limiting local services more to their core tasks to keep costs under control.

There is a clear legal framework for local-government autonomy, consisting of the Local Government Act 2002, the Local Electoral Act 2001 and the Local Government (Rating) Act 2002. In addition, the comprehensive reform program, “Better Local Government,” was put into action during the review period, culminating in the Local Government Act 2002 Amendment Act 2014. The Amendment Act became law in August 2014. According to the Department of Internal Affairs, the act includes, among others things: changes in regard to what development contributions can be used for; more collaboration and shared services between local authorities; new requirements for infrastructure strategies and asset management planning; elected members to use technology to participate in council meetings, rather than attending in person; local councils to disclose information about their rating bases in long-term plans, annual plans and annual reports; and discloses risk management arrangements for physical assets in annual reports. In addition, the act includes provisions that enable the Local Government Commission to establish local boards as part of new unitary authorities, and in existing unitary authorities. There is no de facto infringement of this scope. Local governments do not enjoy constitutional status, as they are creatures of statute. As noted already, local governments in New Zealand are unusual in terms of their relatively narrow task profiles and their inability to tap into other commonly used sources of subnational revenue such as sales and/or income taxes. Local governments therefore raise a relatively large proportion of revenue from rates and charges; and given concerns about rating levels, they are fiscally constrained from expanding their roles and functions.

It is not central government as such but a dense network of agencies that are involved with the development and monitoring of local government. This
includes the Minister of Local Government, the Department of Internal Affairs, the Local Government Commission, Local Government New Zealand (representing local councils on the national level), the Office of the Controller and Auditor General, the Office of the Ombudsman and the Parliamentary Commissioner for the Environment. Their roles range from strategic development, policy formulation, regulation and monitoring, to handling complaints about the activities and operation of local government. At the end of 2013 a comprehensive reform program, “Better Local Government,” was introduced, whose provisions are part of the Local Government Act 2002 Amendment Act 2014. In June 2016, the Local Government Act 2002 Amendment Bill (No 2) passed its first parliamentary reading, which includes the Better Local Services reforms. The bill continues the general trend of increasing central government scrutiny and control over local government. These reforms have been the subject of criticism, especially in Auckland with its relatively new “super-city” structure and population of 1.4 million. However, smaller municipalities have also been critical of the reforms, describing them as being undemocratic, especially the “draconian” powers granted to the Local Government Commission. Smaller municipalities argued that they could be forced amalgamate their services. In an open letter to then-Prime Minister John Key, Invercargill Mayor Tim Shadbolt called the legislation the “crushing of local government democracy and seizing control of their assets bill.”

Citation:

**Adaptability**

New Zealand has ample experience in drastically restructuring its public sector and reforming policymaking to adapt to new challenges. Major reforms were accomplished from the mid-1980s to the mid-1990s. However, this was done under a majoritarian regime, based on a first-past-the-post electoral system. Part of the reform package involved the change to a proportional electoral system, a move that was initiated by the voting public rather than the governing elite. Today, given the existence of a multiparty system and minority government, radical reform is much more difficult to achieve. In retrospect, institutional reforms delivered somewhat less than was anticipated and have at times been disruptive. The government at the time of writing was
concerned with driving efficiency and performance improvements into the system, and was seeking to accomplish this with relatively limited emphasis on a major restructuring of government agencies.

Given the isolated geopolitical position of New Zealand, the country participates proactively in many international organizations and in the international coordination of joint reform initiatives. Major areas include issues regarding the Antarctic region, disarmament and proliferation, environmental protection, and human rights. New Zealand is a member of the Asia-Pacific Economic Cooperation (APEC) forum, the Commonwealth, the OECD, the United Nations, and the World Trade Organization. Free trade is a central preoccupation within foreign relations, especially in the Asian region. Having signed the Association of Southeast Asian Nations (ASEAN)-Australia-New Zealand agreement and a bilateral agreement with Malaysia and Korea in recent years, current efforts are directed at deepening its “comprehensive strategic partnership” with China and continuing negotiations with India and Russia. New Zealand has been an enthusiastic supporter of the Trans-Pacific Partnership (TPP) Agreement. Negotiations on a Partnership Agreement on Relations and Cooperation (PARC) between New Zealand and the European Union (EU) were concluded in July 2014. The agreement is a platform for pursuing New Zealand’s ambitions for a free-trade agreement with the EU. New Zealand is a member of the United Nations Security Council during the 2015 to 2016 term. It has been very active in campaigning for a humanitarian response to the situation in Syria.

Citation:

Organizational Reform

Following from the change to a proportional electoral system in 1996, institutional arrangements in the core executive as well as executive-legislative relations and democratic decision-making have been regularly and effectively monitored. Although the first government under the new electoral system was a majority coalition, subsequent governments have lacked a parliamentary majority. Rather than assembling a formal coalition, the present National government followed the example of its immediate predecessor, the Labour government of Helen Clark, by keeping its support parties at arm’s length from the cabinet. All 20 cabinet seats are held by National members. Two of the three support parties (United Future and the Maori Party) have been given ministerial portfolios outside of cabinet but within the larger executive. The
solitary Act MP, a newcomer to Parliament, has been given the title of
undersecretary (he declined a promotion to ministerial level in a December
2015 cabinet reshuffle). While each party is committed to providing the
government with confidence and supply, it is free to oppose the government
on all policy matters that lie outside its portfolio responsibilities. This
governing arrangement has the dual benefit of limiting the influence of the
small support parties while providing them with the ability to retain their
separate political and electoral identity.

One area of particular interest is the performance of the reformed electoral
system. The Electoral Commission regularly commissions surveys to ascertain
satisfaction with the way elections are organized, what the barriers to voting
are and how to address these barriers. In the context of the general election in
2011, a referendum was held on whether to retain or replace the electoral
system. A majority of 56% opted to keep the mixed-member proportional
(MMP) system.

Colmar Brunton, Voter and non-voter survey report, Auckland and Wellington: Colmar Brunton New
Zealand 2012.
Elections New Zealand: Results of the Referendum: http://www.elections.org.nz/events/past-events-0/2011-
referendum-voting-system/results-referendum (accessed October 9, 2014).

Major adaptations to the multiparty system and coalition government occurred
in the mid- to late 1990s. An effective framework is in place with the Cabinet
Manual, which has begun to attract more and more interest from other
jurisdictions. Cabinet office circulars are used for minor changes. Particularly
after the change of government in 2008, a number of such modifications were
made. One area of institutional change that has been largely neglected has
been the reform of Parliament’s conventions and opportunities for public
engagement.

Grant Duncan, 2014: New Zealand’s Cabinet Manual: How Does It Shape Constitutional Conventions?,
Parliamentary Affairs 2015, 68:4, 737-756.

II. Executive Accountability

Citizens’ Participatory Competence

The most recent comparative data set which includes information on New
Zealand policy knowledge is the International Social Survey Program. In the
2004 edition, New Zealand respondents overwhelmingly (69%) felt that they
had a good or very good understanding of important political issues. Only about 13% of respondents said that most people are better informed about government and politics. The 2007 edition of the survey however did not include this question. Regarding the question, “How interested would you say you personally are in politics?” there was a slight decline of political interest in New Zealand between 2004 and 2007. According to survey data from the New Zealand Election Study of 2014, approximately two-thirds of respondents expressed satisfaction with the state of their democracy.

While levels of party membership and voter turnout have been in sharp decline – voter turnout dropping from the 80s and low 90s percentiles for much of the postwar period to 74% in 2011 with a minor increase in 2014 to 78% – there is evidence to suggest that levels of political knowledge and engagement are not as worryingly low as figures might suggest. This said, participation rates among the young suggest that generational disaffection during the review period is at an all-time high. According to OECD data, however, children in New Zealand are more civically engaged than on average in the OECD. In New Zealand, 84.4% of 14-year olds intend to vote in elections when they are adults, compared to the OECD average of 78.7%.

From time to time, matters of constitutional importance or public interest are put to voters by way either of citizen- or government-initiated referendums. In 2015 – 2016, for example, the government conducted a two-stage referendum on whether New Zealand should replace its national flag.

Citation:
New Zealand Election Study, University of Auckland, 2011-12.

Legislative Actors’ Resources

While New Zealand parliamentary members (MPs) are not generously equipped with financial or personnel resources to monitor government activity, they do have access to party research units. Other personnel available to individual MPs include an executive assistant (in Parliament) and electorate staff, with constituency members being more generously funded than those on the party lists. Despite the availability of these resources, opposition parties
are placed at a distinct disadvantage relative to the breadth of staff, research and other resources made available to the government and its small support parties. Each of the non-government parties has a research unit, which follows up on MPs’ requests, especially in preparation for parliamentary debates.

Citation:

Obtaining Documents Score: 9

The Cabinet Manual defines the right of committees to ask for government documents. All documents have to be delivered in full and within an appropriate time. There are limitations with regard to classified documents.

Citation:

Summoning Ministers Score: 8

It is common practice that ministers follow invitations to visit select committee meetings, but occasionally they refuse to do so. This follows a guideline that committees can request but not require that a minister appear before them. Only the House of Representatives itself can compel members to attend a committee if they do not do so voluntarily.

Citation:
Officials and Select Committees – Guidelines (Wellington: States Services Commission 2007).

Summoning Experts Score: 9

Select committees may summon experts. The only restriction is with regard to public servants who need the approval of their minister to attend committee meetings.

Citation:
Officials and Select Committees – Guidelines (Wellington: States Services Commission 2007).

Task Area Congruence Score: 6

The New Zealand House of Representatives is far too small to establish as many select committees as would be necessary to fully correspond to the number of ministries. At the time of writing there are some 13 select committees, which have to face 59 portfolios, led by 20 cabinet ministers, five ministers outside cabinet, two support party ministers, and one parliamentary undersecretary from a support party. Select committees have an average of 9.5 members, with numbers fluctuating between six and 11.

Citation:
The controller and auditor general is appointed by the governor general on the advice of parliament and is fully accountable to it. The Office of the Auditor General consists of the following departments: Accounting and Auditing Policy, Legal Group, Local Government, Parliamentary Group, Performance Audit Group, and Research and Development. It is empowered to survey the central government and local governments. The legal basis is the Public Audit Act 2001.

Citation:
All about the Controller and Auditor-General (Wellington: Office of the Auditor-General 2012).

New Zealand was the fourth country in the world to establish an Office of the Ombudsman (in 1962). The office is highly effective in terms of formally or informally resolving complaints. In 2015 to 2016, nearly 12,600 complaints were handled. Organizational reform has been under discussion for a number of years because of an ever-increasing caseload. In addition, there is an even older tradition of dealing with petitions in Parliament.

Citation:

Media

Not all television and radio stations produce high-quality information programs, but both Television New Zealand (TVNZ) and Radio New Zealand provide a regular evaluation of government decisions. TVNZ’s TVOne has three news programs per day, each lasting between 30 minutes to one hour, as well as a lighthearted daily current affairs magazine-style program. It also has an hour-long current affairs program, “Q and A,” which screens once a week and focuses on domestic politics. TVNZ 7, a station established in 2008, offered a range of news and current affairs programming and attracted a small but loyal audience prior to its disestablishment in 2012. A second television network, TV3, offers a similar news and current affairs schedule to that of TVNZ. Radio New Zealand has four extensive news features per day in addition to hourly news programs. Newspapers provide information and analysis on government decisions and policy issues – although many articles report government statements verbatim and such stories tend to be relegated to the inner pages – with crime and celebrity stories dominating the headlines. The decline of investigative journalism by electronic- and print-media outlets has been noted by media commentators, although Internet commentary, including blogs, has to some extent provided a substitute.

Parties and Interest Associations

During the review period, there are three political parties that were supported by more than 10% of voters in the last general election. Labour and National are traditionally the largest parties, the Green Party was, again, able to achieve a share of the vote above 10%. The next-largest party, New Zealand First, polled 8.7%.

The organizational structure of Labour is complex, as it mainly consists of affiliated members (for example, a (decreasing) number of trade unions). Although the party refuses to disclose membership numbers (a policy shared by the National Party), it is thought to have a current membership of around 7,000. Decisions with regard to personnel and policy are therefore not restricted to individual party members. However, at the same time, Labour uses a system of delegates. The selection process for candidates for parliamentary seats is based on a heavily formalized moderating procedure that takes criteria such as ethnic background, gender and region into regard. Following pressure from grassroots members to have a say in the selection of the party leader, in 2011 the party took away the party caucus’s sole responsibility for choosing a party leader, replacing it with a combination of party membership (40%), the parliamentary caucus (40%) and the affiliated trade unions (20%). This system has been used to elect the last two party leaders, David Cunliffe in 2013 and Andrew Little following the 2014 election.

National considerably increased the central leadership’s influence in an organizational reform in 2003. The newly created National Management Board, which includes the parliamentary leader, plays an especially influential role in pre-selecting parliamentary candidates for electorate seats (to a so-called Candidate’s Club), although these are still required to compete with other nominees, using the existing decentralized electorate selection process. The selection of candidates for list seats has equally been centralized at the expense of regional party organizations. The party leader is chosen by the members of the parliamentary caucus.

The Green Party’s organizational structure is quite decentralized in comparison with the traditional larger parties. Decisions on policy and the selection of parliamentary candidates are made by the party membership, with less control exerted by the parliamentary caucus.

Citation:
There are few well-organized and well-staffed interest groups in New Zealand. The largest and most prominent are the New Zealand Council of Trade Unions, Federated Farmers, the Chambers of Commerce, and Business New Zealand. All are involved in policy formation and dissemination, and all seek to influence government policy. However, there is an underlying asymmetry. Business interests additionally rely on the work of the New Zealand Business Roundtable, an organization of chief executives of major business firms. In 2012, this merged with the New Zealand Institute to form the New Zealand Initiative, a libertarian think-tank that lobbies for pro-market economic and social policies.

Citation:

There is a rich tradition of consultation with societal groups during policy formulation. The degree of consultation with groups and individuals and the way in which their proposals have been dealt with is reported in regulatory impact statements. Recent such statements claim that consultation has had a substantive impact in several cases. Still, resource shortages prevent some interest associations from developing specialist policy know-how that would give them durable impact in the consultation process.

Citation:
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