New Zealand Report
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Sustainable Governance Indicators 2020
Executive Summary

New Zealand’s year was overshadowed by the right-wing terrorist attack on a mosque in Christchurch in March of 2019, which killed 51 people. However, it would be wrong to interpret this horrific incident as a failure of governance failure. Instead, the decisive and swift political response in the aftermath of the attack demonstrates that New Zealand’s political system is equipped with high levels of institutional capacity. Within weeks of the politically motivated mass shooting, the government passed tighter guns laws, rolled out a gun buy-back scheme, and established a specialist unit tasked with investigating extremist online content. Prime Minister Jacinda Ardern was also widely praised for her sensitivity and compassion in the wake of the Christchurch massacre.

Generally speaking, policymaking is facilitated by New Zealand’s Westminster-style democracy, which concentrates political power in the executive and features very few veto players. Even though the mixed-member electoral system – which replaced the old first-past-the-post system in 1996 – produces a moderately polarized party system and typically fails to deliver absolute parliamentary majorities, this does not impede cross-party agreements in policymaking. However, while New Zealand’s political system is commonly regarded as one of the highest-quality democracies in the world, the country struggles with issues of media pluralism. The media market is dominated by (mostly foreign-owned) commercial conglomerates, which place greater emphasis on entertainment than on critical news-gathering. In October 2019, U.S.-owned MediaWorks announced that it was selling its Three TV network (with a significant current affairs element under the Newshub banner), which threatens to diminish media pluralism even further.

Policy implementation is the responsibility of a highly transparent and efficient bureaucratic apparatus. New Zealand continues to be ranked among the least corrupt countries in the world and performs strongly on a number of other related indicators, such as the availability of and access to government information. Although the regulatory environment is stable and predictable, it can be criticized for lacking some adaptability – in particular, when it comes to responding to new international challenges such as climate change.

Economic policy performance was solid in 2019. New Zealand reported record export figures – driven mainly by a booming agricultural sector – and the
government presented a surplus budget of NZD 7.5 billion. However, economic growth dropped to 2.1% – the slowest rate since 2013. Business confidence also fell, although regained some momentum at the end of 2019. This has been blamed partly on some rapid policy decisions that did not involve consultation with business, alongside increased regulations governing the insulation of rental properties and an increase in the minimum wage. However, commentators also note that such a decline is not unusual in New Zealand when a Labour government comes into office (similar trends have been noted historically).

In May of 2019, the government announced its much anticipated “well-being” budget, which allocates record sums to tackling mental illness, family violence and child poverty. New Zealand is thus the first Western industrialized country to design its entire budget based on well-being priorities and instruct its ministries to design policies to improve well-being. Whether these budgetary measure will be successful in addressing the country’s deep social issues – in particular, the discriminatory gaps that persists between Māori and Pākehā (New Zealanders of European descent) – remains to be seen.

In the area of environmental policy, New Zealand’s 2019 record is poor. The country is one of worst greenhouse gas offenders on a per-capita basis but in 2019 worked toward new Climate Change Response legislation that will initially incentivize a reduction in carbon emissions and, within five years, bring in methane emitters under the Act (although this is not guaranteed if a National government is elected in 2020). In addition, New Zealand struggles with polluted rivers and lakes, and faces a number of critical challenges to its biodiversity.

**Key Challenges**

Since the 1980s, New Zealand has turned itself into a global poster child of market-oriented reforms and international openness. Today, New Zealand is widely perceived to be one of the most competitive economies in the world, characterized by a very lean business environment and a simple policy framework. The Heritage Foundation – a conservative U.S. think tank – ranks it third in the 2019 Index of Economic Freedom, only behind Hong Kong and Singapore. The Tax Foundation places New Zealand second in terms of “tax competitiveness” (ahead of international financial centers such as Switzerland and Luxembourg), while the World Bank even puts the country at the very top in its most recent Doing Business Index.
While New Zealand seems to be well positioned to succeed in the global economy, there are at least two areas that will require policymakers’ attention. First, economic growth continues to be highly dependent on the agricultural sector, which accounts for more than half of merchandise exports. In an attempt to wean the economy off meat and dairy products, both the previous National Party government and the current Labour government have increased public spending on research and innovation, in part by offering tax breaks. Yet critics note that these policies are not enough to boost technology-intensive industries. Second, policymakers need to address New Zealand’s shortage of skilled workers – not only through further investment in education and training, but also by reforming the immigration system. The outlook for immigration reform, however, is not promising. In the run-up to the 2017 election, all major parties campaigned on tightening immigration policy. There is no indication that this will change ahead of the 2020 election, though net migration has fallen somewhat.

Although New Zealand is heralded as one of the most competitive economies in the world, this competitiveness has been achieved at the expense of social inclusion and environmental sustainability. The Labour-led Coalition government has sought to remedy economic and social inequalities by introducing several changes to benefits and parental leave policies while increasing the minimum wage and continuing to support universal superannuation.

New Zealand’s tax system, which is often praised for its simplicity and efficiency, displays very little progressivity. Government revenue comes largely from a “broad base, low rate” income tax and value added tax. Apart from a “bright line” tax on investors who sell residential properties within two years of purchase, New Zealand does not have a capital gains tax. A tax advisory group, set up by the government in late 2017, recommended closing this gap in the tax system, yet the proposal was vetoed by Labour’s coalition partner NZ First.

Due to a lack of funding, public provisions for healthcare and pensions are overstretched. A growing number of New Zealanders have joined one of the private pension schemes supported by the government through the Kiwisaver program. In addition, social inequality is further accelerated by New Zealand’s overheated housing market. According to the 2019 Demographia International Housing Affordability survey, housing prices in New Zealand are among the most unaffordable in the world. Recent policy interventions aimed at cooling the market failed: Labour’s affordable housing scheme (KiwiBuild) was axed after only eighteen months and a foreign buyer ban does not seem to have had the anticipated effect either.
Social inequalities disproportionately affect the Māori population. Compared to Pākehā (New Zealanders of European descent), Māori suffer worse health, have lower education attainments, employment and income and are more likely to be victims of crime. The Labour government – even though it has shown a commitment to economic and social well-being – has been criticized for attempting to tackle these issues through universal development schemes rather than allocating funding to Māori-specific programs.

In addition, New Zealand’s economic growth is starting to show its devastating impact on environmental issues. The agricultural sector in particular severely exacerbates environmental degradation – not just through the methane and nitrous oxide gases (which make up around half of New Zealand’s total greenhouse gas emissions) it generates but also by polluting rivers and lakes. Furthermore, New Zealand faces a serious biodiversity crisis, with around 4,000 species being at risk of extinction.

In short, the biggest challenge for New Zealand policymakers will be to balance global economic competitiveness with environmental sustainability as well as economic and social inclusion. Though different, these policy objectives are not necessarily incompatible. For example, Māori-specific education and training programs could help address both skilled labor shortages and ethnic discrimination. Similarly, incentivizing research and innovation in green technologies could boost the manufacturing sector while, at the same time, improving New Zealand’s environmental record.

Party Polarization

Under the first-past-the-post (FPTP) electoral system used throughout much of New Zealand’s history, party system polarization was very low. The system produced a party duopoly, with the two major parties – National and Labour – converging toward the center on the ideological spectrum, although in a number of elections from 1980s onwards, an increasing number of voters chose to support minor parties, on both the libertarian right (NZ Party), the center (Social Credit) and the left (Values Party). However, the mixed-member electoral system, which was introduced in 1996 and combines FPTP with a party list system, has not only created a need to form multiparty cabinets but has also increased polarization between political parties. According to several indicators, New Zealand’s current party system is moderately polarized, similar to that observed in Germany and Finland. While the party system still revolves around Labour (which currently has 46 parliamentary seats) and the National Party (55 seats), there are now also relevant parties further to the
right (NZ First, nine seats; ACT Party, one seat) and further to the left (Green Party, eight seats). However, the increase in the spread of ideological polarization does not pose a significant obstacle to finding cross-party agreements in policymaking. The current minority government is formed by Labour and NZ First, with the Green Party holding a “confidence and supply” agreement. This replicates similar arrangements held in the past, such as the previous National-led government including a libertarian party (ACT), a center party (United Future) and an indigenous peoples party (the Māori Party). In each case, the coalition negotiations see major parties swapping concessions. After the most recent election (in 2017), both Labour and National offered concessions to NZ First in return for support. For example, NZ First dropped its demands for referendums on overturning New Zealand’s anti-smacking law and abolishing the Māori electorates, in return for Labour support on a Regional Development Fund, the re-establishment of the New Zealand Forest Service, and a minimum-wage increase. (Score: 6)

Citation:
Policy Performance

I. Economic Policies

Economy

Similar to the previous National Party government (2008-2017), the current Labour-led government has pursued a cautious economic agenda, characterized by prudent fiscal policy despite increased welfare and health spending. Partly because of government prudence, but also because of tax receipts have exceeded expectations and the country’s rail network has increased in value, New Zealand reported a budget surplus of NZD 7.5 billion for the year up to June 2019, up two billion dollars from the previous financial year. However, at the same time, the economy only grew by 2.1% – the slowest rate since 2013. While the export sector has continued to expand – driven largely by dairy products, the value of total goods exports hit a new record in March 2019 (up 19% from March 2018 to reach NZD 5.7 billion) – the manufacturing and construction sectors have been shrinking (by 0.2% in the quarter up to June 2019).

Business confidence has, according to ANZ’s September Business Outlook Survey, fallen to the lowest levels since 2008. To some extent, the decline in business confidence is due to headwinds in the global economy – in particular, trade tensions between the United States and China as well as the unforeseeable impact of Brexit – and uncertainty surrounding socially progressive Labour policies, such as step-wise increases in the minimum wage rate and a ban on non-residents buying property. While evidence suggests that there is an element of political bias among those who complete the business surveys (Hickey 2017), the fall in confidence is also the result of some unpredictability in government decision-making, partly due to the coalition arrangements. For example, the government commissioned a review on a capital gains tax but, lacking support from New Zealand First, backed away from its recommendations and removed the proposal from the political agenda entirely, despite an expectation from Labour supporters that such a tax would
eventuate. Other examples of government U-turns and policy changes include the decisions to drop a major road transport infrastructure project in the Auckland area (although additional funds have been put into other forms of transport), put a stop to oil and gas exploration in the Taranaki region, and replacing the KiwiBuild homeownership initiative – after having launched it only 18 months earlier.

Crucially, low business confidence appears to have contributed to weak investment. As per a report by the New Zealand Institute for Economic Research (NZIER) published in October 2019, investment in buildings, plants and machinery has dropped to the lowest levels in ten years. The OECD Economic Survey of New Zealand strikes an optimistic note, expecting business investment to pick up again in 2020. To help boost business investment, the Reserve Bank cut the official cash rate to a record low of 1% in August 2019.

Citation:
Stats NZ, March exports hit a record $5.7 billion (https://www.stats.govt.nz/news/march-exports-hit-a-record-5-7-billion)
tradingeconomics.com/new-zealand/business-confidence

Labor Markets

Labor market figures have improved steadily since the global financial crisis in 2008. The rate of unemployed New Zealanders dropped to 3.9% in June 2019 – the lowest unemployment rate since June 2008. However, it needs to be noted that unemployment continues to vary widely across different regions and social groups. In particular, Taranaki (5.2%), Northland (5.1%), and Gisborne/Hawke’s Bay (4.8%) struggle with above national average unemployment rates. Unemployment also remains comparatively higher among Māori (7.7%), despite falling from 9.4% in June 2018. Meanwhile, the proportion of young people (aged 15–24 years) who are not in employment, education or training is still over 10%.

To address these employment inequalities, the Labour government launched a regional development program in 2018. The Pathways to Work (Te Ara Mahi) skills and jobs initiative has been allotted more than NZD 100 million and focuses specifically on reducing income and employment gaps for Māori and
Pasifika (Pacific islands) people. In addition, the government committed a further NZD 15 million to an already existing scheme aimed at tackling youth unemployment in rural areas (He Poutama Rangatahi) and launched an additional program targeting unemployed youths in urban areas (Pae Aronui).

Unemployment figures appear to be unaffected by the minimum wage increase under the Labour administration. On 1 April 2019, the minimum wage was raised from NZD 16.50 per hour to NZD 17.70 per hour. The minimum wage will continue to rise in annual increments, reaching NZD 20 per hour by 2021. Largely as a result of these policies, private sector salary and wage rates rose 0.8% for the June 2019 quarter. The impact of the minimum wage change on industry groups was most significant in retail trade (up 1.4%), and accommodation and food services (up 2.3%) for the June 2019 quarter.

Meanwhile, the New Zealand job market suffers from a shortage of skilled workers and seasonal labor. Viticultural and horticultural sectors in the Hawke’s Bay and Bay of Plenty regions have been particularly affected by low workforce availability. Hospitals and schools have also complained of shortages. The construction industry says it needs over 50,000 skilled workers by 2023 to meet demands. The government has increased funding for teaching education and increased its intake of nurses from overseas. Some easing of immigration rules has been applied to address seasonal worker shortages, and improvements to the vocational training system (including trades associated with construction) is underway. More generally however, the government has been reluctant to ease immigration rules to attract foreign jobseekers, mainly because – in the run-up to the 2017 elections – both Labour and New Zealand First campaigned on promises to tighten immigration, in part to ease pressure on infrastructure which had failed to keep abreast of the significant increases in net migration experienced during the term of the previous government. In view of the current policy stasis, the Reserve Bank of New Zealand forecasts annual net immigration of working-age people to fall to 29,000 in 2021 from 40,000 in 2018 and a mid-2017 peak of 72,400.

Citation:
Taxes

Compared to other OECD countries, the New Zealand tax system performs relatively poorly in terms of revenue collection. In 2017, New Zealand’s tax-to-GDP ratio (32%) was significantly lower than the OECD average (34.2%). Not only that, but the gap in revenue collection has widened over the last 20 years: while the New Zealand tax-to-GDP ratio has decreased by 0.5 percentage points from 32.5% in 2000, the OECD average has increased by 0.4 percentage points since 2000. Nevertheless, the tax system provides the government with adequate resources to perform its basic functions. In fact, based on prudent government spending policies, New Zealand posted a budget surplus of NZD 7.5 billion in the financial year up to June 2019 (up NZD 2 billion from 2017/18). For the same period, government net debt fell to 19.2% of GDP, down from 19.9%.

In terms of government revenue structure, two things stand out: relative to the OECD average, New Zealand relies heavily on personal income tax (ranked third in comparison with other OECD countries) and value added tax (ranked second). While VAT is, generally speaking, considered a regressive tax (because it falls disproportionately on lower-income people), New Zealand’s personal income tax also lacks in progressivity: following a “broad base, low rate” approach, the top tax rate begins to apply at the relatively low level of 1.2 times the average wage. In short, the New Zealand tax system exhibits weakness in achieving vertical equity and addressing inequality in society.

Apart from a “bright line” tax on investors who sell residential properties (other than their family home) within two years of purchase, New Zealand does not have a tax on capital gains. After entering government in 2017, Labour set up a tax working group, with the stated goal of exploring “further improvements in the structure, fairness and balance of the tax system.” The group published its report in February 2019, recommending a broad-based tax on capital gains from rental homes, second homes, business assets, land and shares. However, this proposal was vetoed by Labour’s coalition partner NZ First and never came to fruition.

While New Zealand’s tax system is not particularly effective in reducing social inequality, it is relatively successful in promoting the country’s global competitiveness. Independent assessments have lauded the very lean business environment and the simple policy framework. For example, the conservative Tax Foundation think tank ranks New Zealand second in terms of “tax competitiveness,” ahead of international financial centers such as Switzerland and Luxembourg. In PwC’s 2019 Paying Taxes Index, which attempts to measure how easy it is for companies to discharge its tax obligations in a given
jurisdiction, New Zealand was placed tenth out of 189 territories, situating it ahead of all other OECD member countries with the exception of Denmark. The World Bank even ranks New Zealand in first place in its most recent Doing Business Index. According to the World Bank, not only has New Zealand made paying taxes easier by improving the online portal for filing and paying general sales tax, it also has a single procedure that a prospective business need undertake to form, and the process is typically completed in less than a day.

New Zealand has a fairly poor record when it comes to tax policies steering economic activities toward environmental sustainability. As a share of GDP, New Zealand has the 5th lowest environmentally related tax revenue among all OECD countries. In 2014, environmentally related tax revenues were at 1.34% of GDP, compared to 2.0% on average among 34 OECD and partner economies. The tax working group set up by the Labour government in 2017 identified taxes designed to improve environmental outcomes as a key policy focus. Specifically, in its 2019 report, the group recommended that immediate government priorities should include expanding the coverage and rate of the Waste Disposal Levy, strengthening the Emissions Trading Scheme (ETS) and advancing the use of congestion charging. Longer-term measures include a water abstraction and water pollution tax, a natural capital enhancement tax, changes to the existing concessions regime, and a high-level consideration of mechanisms that support Te Ao Māori (a worldview that considers everything living and non-living to be interconnected).

Citation:

Budgets

Since the 2008 global financial crisis, budgetary policy has been prudent and sustainable – under both National Party (2008–2017) and Labour-led governments (2017–present). In the financial year 2017/18, New Zealand reported a budget surplus of NZD 5.5 billion. In the 2018/19 year, the surplus increased by a further NZD 2 billion to NZD 7.5 billion. In the same time frame, net government debt fell to 19.2% of GDP from 19.9%. Capital spending for 2018/19 was NZD 6.7 billion – up NZD 0.8 billion from 2017/18.
This included purchases of NZD 0.9 billion of school property, NZD 0.7 billion for defense equipment, NZD 0.4 billion for prisons, and NZD 0.2 billion for hospitals. Investments included NZD 1.1 billion for state highways, NZD 0.3 billion for KiwiRail, and NZD 0.2 billion for district health boards. In 2019, New Zealand became the first industrialized country to design its entire budget based on well-being priorities. In particular, Labour’s “well-being” budget focuses on mental health services (NZD 1.9 billion) and child poverty (NZD 1 billion), and includes a record investment in measures to tackle domestic violence (NZD 320 million). Despite these allocations to health and well-being, the Treasury’s Budget Economic and Fiscal Update published in May 2019 forecasts a surplus of NZD 1.3 billion for 2019/20.

Citation:

Research, Innovation and Infrastructure

The OECD has identified deficiencies in the New Zealand government’s commitment to R&D strategies and expenditure, high-technology employment, and patent indicators. The problem stems from New Zealand’s small size and geographic isolation as well as the absence of large companies operating at an international level. While the National Party-led government increased spending on tertiary training in engineering and science, as well as increasing domestic expenditure on R&D as a percentage of GDP (1.3%), New Zealand continues to be ranked low on these metrics among OECD countries – including its closest economic partner, Australia. Recognizing these deficits, the current Labour administration chose “Foundations for the Future” as the theme for its 2018 budget, with the aim to increase R&D expenditure to 2% of GDP over the next 10 years. The main vehicle to achieve this goal is a tax credit on eligible R&D expenditure. Since the scheme was first announced, the originally proposed 12.5% tax break has been upped to 15%, while the minimum of R&D spending has been halved to NZD 50,000 from NZD 100,000. In addition, the maximum amount that can be claimed by any company in any one year has been increased to NZD 18 million and the definition of R&D has been broadened, shifting the focus from “scientific research” to “systematic approaches to solving scientific and technical uncertainty.” While these changes address key concerns expressed by critics, it remains unclear how start-up companies – which generally do not have profits to claim tax breaks – will benefit from the government’s R&D scheme. More generally, funding for blue sky research through the government’s contestable
funding sources for Crown Enterprises and the University sector has not increased significantly over the past decade.

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. To this end, New Zealand passed the Anti-Money Laundering and Counter Financing of Terrorism Act (AML/CFT) in 2013. Initially, the law came into force with banks and financial institutions but, in 2018, the law was extended to include accountants, real estate agents, lawyers and conveyancers, in an effort to ensure illegal funds are not washed through property purchases. Since 2016, New Zealand has been a member of the OECD initiative to allow all participating tax jurisdictions to exchange information on the economic activity of multinational corporations among participating countries. In 2017, New Zealand signed the OECD Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit-Shifting (known as the Multilateral Instrument). Regulatory market reviews by the Commerce Commission – tasked with promoting competition and consumer protection – appear to have increased in number since the shift from a National to Labour government. In late 2018, the Financial Markets Authority and the Reserve Bank released a report after a four-month review into the conduct and culture of eleven banks that operate in New Zealand. While the report did not find the widespread systemic issues that plague Australia, it highlighted that banks lacked effective procedures to manage poor conduct, and were slow to remove sales incentives that pushed staff to sell items such as personal loans and credit cards.

Cheng, PM to banking sector: Up your game or the Govt will force your hand (https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12154903)
II. Social Policies

Education

New Zealand’s education system performs well on a number of indicators. According to recent OECD Education at a Glance reports, New Zealand is ranked highest in the OECD in terms of educational spending as a percentage of total GDP, national rates of enrollment in early childhood education and care are above the OECD average, the “Not in Employment, Education or Training” (NEET) rate for 18 to 24-year-olds is below the OECD average, and – compared to other OECD countries – New Zealand has an above-average proportion of the population with a bachelor’s degree.

However, at the same time, New Zealand has one of the most unequal education systems in the industrialized world. According to UNICEF’s 2018 Innocenti Report Card, which analyzes the gaps between the highest and lowest performing pupils in OECD countries, New Zealand ranks 33rd of 38 for educational equality across preschool, primary school and secondary school levels. The reading gap at age 10 for New Zealand’s best and worst readers puts the country at 230 points compared to 153 points for the Netherlands, the country with the smallest gap. At age 15, New Zealand’s reading gap is 271, 22% greater than the best performing country.

The inequality of the education system has a strong ethnic component, as education outcomes are generally poorer for Māori and Pasifika (Pacific islands) students. In particular, Māori and Pasifika students are significantly less likely than Pākehā (New Zealanders of European descent) or Asian students to leave the education system with a qualification. While around 71% of Māori stay at school until 17, for Pākehā that rate rises to 85%.

Meanwhile, New Zealand’s tertiary education system stands out by having the second-highest proportion of international students across the OECD. In addition, public expenditure on tertiary education as a percentage of total public spending remains one of the highest in the OECD – even though an increasing proportion of this money goes to students as loans and grants rather than as direct funding to institutions. During the 2017 election campaign, Labour promised fee-free tertiary education for first-year students, with plans for the policy to be extended to three years’ free fees. However, the government reduced funding for programs in 2019 after it was found that the
take-up figures had not met projections (lower enrollments at university are also impacted by the size of age cohorts for example). Instead, the government redirected this funding to vocational education reforms, while school donations (from parents) were replaced with increased operational funding from government, and additional funds were provided for learning support and teachers’ salaries.

Citation:
Rutherford, Low enrolments sees $200m clawed back from fees-free scheme, Stuff (https://www.stuff.co.nz/business/112710129/low-enrolments-sees-200m-clawed-back-from-fees-free-scheme)

Social Inclusion
Social inequality is a growing concern in New Zealand. The income gap has been widening steadily: since 2015, the top 20% of New Zealand households have seen their median net worth increase about NZD 131,000 per year, whereas the net worth of the bottom 40% has failed to grow. As a result, the top 20% of New Zealand households collectively now hold about 70% of total household net worth.

The blame for New Zealand’s inequality has been put on the overheated housing market. According to the 2019 Demographia International Housing Affordability survey, house prices in New Zealand are among the most unaffordable in the world. Auckland was ranked as the seventh most unaffordable major city in the world – behind Hong Kong, Vancouver, Sydney, Melbourne, San Jose and Los Angeles. A study by the Ministry of Social Development published in 2018 reveals that New Zealand-wide, more than half of renting households receiving the Accommodation Supplement (benefit to people deemed unable to fully afford rent) are spending more than half their income on housing. The same report also shows that, after taking off the cost of housing, incomes for low-income families with children are still where they were in the 1980s. Alongside this, benefit rates for the unemployed and for sole parents have not kept pace with the cost of living, leading to high rates of child poverty.

The current Labour-led government has taken a number of steps to ease the housing crisis. In 2018, the administration under Jacinda Ardern launched the KiwiBuild policy, which targeted the construction of 100,000 affordable homes over 10 years, with 50% of these in Auckland. However, by mid-2019,
the program had only delivered around 250 new homes and was subsequently scrapped in its original form. Instead, the government revealed alternative measures that include NZD 400 million of funding for ownership schemes such as rent-to-buy and shared equity. In addition, the deposit required for government-backed mortgages was reduced by half to 5%.

In August 2018, parliament passed the Overseas Investment Amendment Bill, which is designed to stop foreigners not intending to live in New Zealand from buying most types of homes. However, critics have pointed out that the policy is unlikely to make housing more affordable, given that overseas buyers make less than 3% of national house transfers. In terms of welfare, the new government established an Expert Advisory Group but has yet to implement many of its recommendations. Harsh benefit sanctions have been removed and a small increase in the rate paid has been announced but was not immediately delivered, leading to some disquiet by advocacy groups.

The Māori population is disproportionately affected by socioeconomic inequality. On average, working Māori earn NZD 140 less per week than the average New Zealander. Māori are working the same hours as the New Zealand average, but only 16% of Māori hold an advanced qualification (compared to 30% of the country’s workforce). The Labour government has been criticized for attempting to tackle these issues through universal development schemes rather than allocating funding to Māori-specific programs. For example, the government’s 2019 “well-being” budget aims to reduce child poverty without including specific Māori-targets – despite the fact that Māori children and youth are twice as likely to be in poverty than New Zealanders of European descent.

Citation:
Demographia International Housing Affordability Survey 2019 (http://www.demographia.com/dhi.pdf)
Nadkarni, Who does the foreign buyer ban affect and will it make housing more affordable?, Stuff (https://www.stuff.co.nz/business/106307986/explainer-who-does-the-foreign-buyer-ban-really-affect)
Parahi, Labour’s Māori ministers have achieved little for their people – so far, Stuff (https://www.stuff.co.nz/national/politics/112048764/labours-mori-ministers-have-achieved-little-for-their-people-so-far)
Health

New Zealand’s public healthcare policies achieve high-quality and inclusive healthcare for most citizens but, similar to other OECD countries, cost efficiency and long-term public spending pressures remain an issue. The OECD points out that the largest projected long-term public spending pressure is healthcare, which is expected to jump from 6.2% of GDP in 2015 to 9.7% of GDP by 2060, owing to both aging demographics and the expected increase in expensive new treatments.

The public healthcare system is already showing signs of being overburdened. Reports of chronically understaffed hospitals abound, large numbers of specialist referrals are declined because of a lack of resources and waiting lists for surgical procedures have become a serious issue. Mainly due to lengthy waiting lists in the state healthcare system, a large number of New Zealanders (around 1.37 million) now have private “queue jumping” health insurance. In recent years, however, premiums have increased continuously, thereby fueling income-related inequality in healthcare.

During the 2017 election campaign, the three parties that now represent the government announced plans to improve primary care. In particular, Labour committed to increasing the intake to 300 general practitioner training places per year and to initiate a review of primary care funding. In May 2018, the new government announced a review of the health and disability system with a report due to be published in 2020. Health was the main winner in the government’s first, cautious budget, goals for which included an NZD 1.52 billion increase in health spending for the 2018–2019 year (the 2017 National Party government had increased funding by NZD 825 million). The majority of the new funding is for capital investments in building and restoring hospital buildings (NZD 750 million) and boosting the support fund for District Health Boards in deficit (extra NZD 100 million). Other measures included extending coverage of free doctors’ visits and prescriptions to children up to the age of 13 years (resulting in free visits to an estimated 56,000 extra children), and extending access to low-cost doctors’ visits for those low-income New Zealanders holding Community Services Cards. In the 2019 “well-being” budget, mental health received the biggest funding and investment boost on record. Of a total of NZD 1.9 billion, half a billion is earmarked for the “missing middle,” that is, the mild-to-moderate anxiety and depressive disorders that do not require hospitalization.

A particular challenge is the persistent gap in health status between Māori and non-Māori parts of the population. For one, Māori life expectancy is lower than that for non-Māori, according to 2013 Ministry of Health figures. Life
expectancy at birth was 73.0 years for Māori males and 77.1 years for Māori females; it was 80.3 years for non-Māori males and 83.9 years for non-Māori females. In addition, the 2017–2021 Ministry of Health and Addiction Workforce Action Plan finds that, while Māori make up approximately 16% of New Zealand’s population, they account for 26% of all mental health service users.

Citation:

Families

The 2019 Women in Work Index (published by consultancy firm PwC) rates New Zealand third in the OECD, behind Iceland and Sweden. Employment rates for women are well above the OECD average – even though mothers with young children have lower employment rates and women are also more likely to work part-time than in most OECD countries. The median gender labor earnings gap is significantly lower than the OECD average (7.2% vs. 13.9%). However, a research report commissioned by the Ministry for Women finds that the wage gap between men and women widens to 12.5% when they become parents. When women become mothers, they are less likely to be employed and, if they do work, they work fewer hours and have lower earnings – even 10 years later. Mothers earn 4.4% less on average than non-mothers, with the gap widening the longer they are off not in employment.

A number of family support policies have been passed under the current Labour-led government that are designed to enable mothers to decide freely whether they want to return to employment. Most importantly, a new Families Package has been rolled out since mid-2018. Its provisions include: increasing the rate of paid parental leave from 22 to 26 weeks from July 2020; the introduction of a Winter Energy Payment for beneficiaries including pensioners; a weekly NZD 60 payment to low and middle-income families with babies and toddlers; reinstating the Independent Earner Tax Credit; and increasing benefits for orphans, unsupported children and foster careers. When the package is fully implemented in 2020, it is estimated that 384,000 families will benefit.

In the government’s 2019 “well-being” budget, measures to combat family violence received a record investment of NZD 320 million, in a bid to tackle
the New Zealand’s entrenched family and sexual violence statistics, which see the police respond to a domestic violence incident every four minutes. The budget also dedicates NZD 1.1 billion to child poverty measures, aiming to lift 70,000 children out of poverty in low-income households by 2020/21 and 120,000 by 2027/28.

A Pay Equity Working group has been established to find a mechanism to reduce the gender pay gap which sits stubbornly at 9% but is considerably wider for some groups of women. In the public service, the gender pay gap for Pacific women is 21%. The Ministry for Women has introduced an online tool to assist policy makers attend to gender differences in their policy design and budget bids (titled Bringing Gender In).

Citation:

Pensions

New Zealand’s pension system is tax-based. There is no retirement age, but 65 is the current age of eligibility for New Zealand Superannuation. The level of NZ Super payments is reviewed annually, taking into account inflation and average wages. Any eligible New Zealander receives NZ Super regardless of how much they earn through paid work or what assets they own. While universally accessible, NZ Super is one of the least generous pensions relative to the working wage in the industrialized world: New Zealand superannuitants get just 43% of the average working wage; the average across the OECD is 63%. However, the system operates as a form of universal basic income and is relatively efficient: just 10.6% of over 65s in New Zealand are considered to be living in poverty compared to the OECD average of 12.5% – even though among those 76 and over, 15% are in poverty compared to 13.9% across the OECD. Historically the assumption was that most New Zealanders would be living in their own mortgage-free house by the time of retirement. This is no longer a realistic assumption, hence the need for more personal savings to supplement the universal payment.

Due to demographic changes, the cost of NZ Super is projected to rise from NZD 13 billion in 2016 to NZD 76 billion by 2050. The percentage of GDP that goes toward paying for NZ Super will increase from about 4% in 2001 to
7.1% in 2049 and 7.9% by 2059. Nevertheless, the recent review of retirement income policy recommends retaining the government’s scheme and has resisted recommending the introduction of a raised age of retirement or a means test.

To encourage private savings as a means to relieve the pressure on the state pension system, New Zealand introduced KiwiSaver in 2007 – a publicly subsidized private pension plan offered on a voluntary basis. KiwiSaver has come under public scrutiny because of a perceived lack of transparency around account fee charges. Another public debate concerns where the KiwiSaver funds are invested. Demand for more ethical investment options from KiwiSaver providers has been an ongoing refrain. However, despite these drawbacks, KiwiSaver is a popular savings option for New Zealanders, although most continue to view the universal national superannuation as likely to be their primary source of income in retirement (RRIP 2020)

Citation:
Bagrie, New Zealand has no choice but to increase the pension age, Stuff (https://www.stuff.co.nz/business/113995068/new-zealand-has-no-choice-but-to-increase-the-pension-age)

Integration

New Zealand has long been a prime destination for immigrants. In the 2013 census, more than a million people reported that they were born overseas, just under a quarter of New Zealand’s population of almost four and a half million. The overseas-born figure is 37% in Auckland, the country’s biggest city, making it as diverse as London on this measure.

Integration of immigrants is promoted through settlement support. There is more intensive support for refugees, but other migrants also have access to high-quality information services (online and through the Citizens Advice Bureau network) as well as ongoing language and employment programs. New legislation was enacted in 2015 to ensure that migrant workers had the same employment rights as all other workers in New Zealand.

Data from the New Zealand General Social Survey reflects the country’s willingness to promote integration. Immigrants are less likely to claim benefits, more likely to be employed, and their children have better education outcomes than native born New Zealanders. There is relatively little ethnic or
migrant clustering, and where concentrations do occur there is no indication of high unemployment. Some 87% of migrants say they feel they belong to New Zealand. Surveys show New Zealanders, too, have a generally positive view of migrants, and value the contribution they make to the economy and the cultural diversity they bring.

Citation:

Safe Living

New Zealand has traditionally had a remarkable internal security record. However, the terrorist attack on a Christchurch mosque in March 2019, when a right-wing extremist killed 51 people and injured 49, shook the country’s sense of security. The government responded to the politically motivated mass shooting by passing a new gun law in April that bans military-style semi-automatic weapons and parts that can be used to assemble prohibited firearms. More than NZD 208 million have been set aside to for a gun buy-back scheme, compensating owners for up to 95% of the original price of their weapons. Police estimate that around 14,300 military style semi-automatic weapons are covered by the new legislation. The government also announced that NZD 17 million would be spent to establish a dedicated investigative team to find and prosecute terrorist and extremist content online. Prime Minister Jacinda Ardern has also been leading on an internationally coordinated initiative to tackle online hate speech.

While government expenditures for public order and safety are relatively high and growing, crime continues to be a salient issue for New Zealanders. While recent statistics show a considerable decline in criminal offenses, the New Zealand Crime & Victims Survey published at the end of 2018 reveals that only a fraction of crimes (around 25%) are reported to police and recorded officially. Burglary, harassment and fraud were the most common crimes committed in New Zealand, and Māori people were more likely to be victims of crime, with 37% of indigenous respondents reporting being the victim of a criminal incident in the past year (the national average is 29%). Men and women were equally likely to be victims of crime (at 29% each), but in the 200,000 sexual assaults and 190,000 incidents of domestic violence, 71% of victims were women.
Global Inequalities

New Zealand has been neglecting its responsibilities to promote equal socioeconomic opportunities in developing countries. Despite a longtime global commitment to lift its aid spending to 0.7% of gross national income (GNI), New Zealand’s spending as a proportion of GNI dropped from 0.3% in 2008 to 0.25% in 2016. In 2018, the government announced an NZD 714.2 million allocation to the Official Development Assistance (ODA) fund, which will bring New Zealand’s ODA to 0.28% of GNI by 2021. The allocation is heavily prioritized toward the South Pacific: around 60% of New Zealand’s total aid spending goes to its small-island neighbors. This increase in ODA comes amid concerns about China’s growing influence in the region.

New Zealand is a signatory to a number of multilateral free-trade agreements that include developing countries, such as the ASEAN-Australia-New Zealand free trade agreement (AANZFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In addition, New Zealand has ratified the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) – a non-reciprocal trade agreement in which New Zealand (together with Australia) offers preferential tariff treatment for specified products that are produced or manufactured by the Pacific Islands Forum countries. Partly due to New Zealand’s commitment to free trade, the Heritage Foundation – a conservative U.S. think tank – ranks it third in the 2019 Index of Economic Freedom, behind only Hong Kong and Singapore.

Citation:
Kirk, Budget 2018: “Pacific reset” will increase foreign affairs funding to $1b over four years, Stuff (https://www.stuff.co.nz/national/politics/103738729/budget-2018-1b-for-foreign-affairs-massive-boost-to-pacific-aid-and-a-new-embassy?rm=m)
The Heritage Foundation, 2019 Index of Economic Freedom (https://www.heritage.org/index/)
III. Environmental Policies

Environment

The performance of New Zealand’s environmental policy is mixed. New Zealand derives 85% of its energy from renewables, and Fonterra, the country’s largest dairy company, is reducing its use of coal-fired power. However, in the 2018 Environmental Performance Index, New Zealand slid to 17th (from 11th in 2016) out of 180 countries ranked, but nonetheless ranks at the top of Pacific region countries. However, in the group of OECD countries, it holds only an average overall position. The 2017 OECD Environmental Performance Review concludes that “New Zealand’s growth model, based largely on exploiting natural resources, is starting to show its environmental limits with increasing greenhouse gas emissions and water pollution.”

Many of New Zealand’s environmental problems stem from the country’s large agricultural sector, which accounts for more than half of merchandise exports – in particular, through the export of meat and dairy products. Methane and nitrous oxide gases created by farming make up around half of New Zealand’s total greenhouse gas emissions. In addition, the booming meat and dairy sector has taken a toll on the country’s freshwater resources. According to a 2014 report by the Environment Ministry, about 60% of the country’s rivers and lakes are heavily polluted and are unfit for swimming. According to experts, water quality has since deteriorated further; efforts to remedy this situation were established in 2019. A dedicated water regulator and new water regulations will be implemented from mid-2020, which the government expects will ensure safe drinking water around the country and prevent sewage and farm run-off ending up on beaches, in rivers, and in lakes.

New Zealand’s biodiversity is also facing a crisis. According to the 2019 National Report to the United Nations Convention on Biological Diversity, 4,000 species are at risk in New Zealand – including 90% of seabirds, 76% of freshwater fish, 84% of reptiles, and 46% of plants. The government is currently seeking consultation on a new biodiversity strategy that would set goals for the next 50 years (Stats NZ, 2019).

In November 2019, the government passed the Climate Change Response (Zero Carbon) Act that set new domestic greenhouse gas emissions reduction targets for New Zealand. These include: reducing net emissions of all greenhouse gases (except biogenic methane) to zero by 2050; reducing by
2050 emissions of biogenic methane to anywhere from 24% to 47% below 2017 levels; establishing a system of emissions budgets to act as stepping stones toward the long-term target; requiring the government to develop and implement policies for climate change adaptation and mitigation; establishing a new, independent Climate Change Commission to provide expert advice and monitoring to help keep successive governments on track to meeting long-term goals (MfE 2019).

Citation:
Stuff, New Zealand’s greenhouse gas emissions are increasing (https://www.stuff.co.nz/environment/climate-news/111979034/new-zealands-greenhouse-gas-emissions-are-increasing)

Global Environmental Protection

New Zealand has signed a number of multilateral agreements on environmental protection, thus signaling that these issues are considered global common goods rather than just domestic problems. These include agreements regulating toxic chemicals and greenhouse gases (e.g., the Vienna Convention and the Montreal Protocol, the Stockholm Convention, the Rotterdam Convention), international traffic in hazardous waste (e.g., the Basel Convention, the Waigani Convention, the Rotterdam Convention), biodiversity and species conservation (e.g., the Convention on Biological Diversity, the Convention on the Conservation of Migratory Species of Wild Animals), and natural resources (e.g., the Noumea Convention). New Zealand is also a party to the United Nations Framework Convention on Climate Change. It signed the Kyoto Protocol (which sought to reduce greenhouse emissions during 2008-2012 time period) but did not join the Doha Amendment to the Kyoto Protocol (2013-2020). New Zealand is also a member of the Green Climate Fund but has formally pledged only USD 0.57 per capita (compared to Australia’s per capita pledge of USD 8 and Sweden’s per capita pledge of USD 59). In 2016, New Zealand ratified the Paris Agreement, thereby pledging to limit global warming increases to 1.5°C in the future. However, Climate Action Tracker rates New Zealand’s domestic measures as “highly
insufficient,” meaning that “current policies are not consistent with holding warming to below 2°C, let alone limiting it to 1.5°C as required under the Paris Agreement, and are instead consistent with warming between 3°C and 4°C.” (see also Stats NZ 2019).

Citation:
Climate Action Tracker, New Zealand (https://climateactiontracker.org/countries/new-zealand/)
Green Climate Fund, “Resource mobilisation” (https://www.greenclimate.fund/about/resource-mobilisation)
Quality of Democracy

Electoral Processes

New Zealand has a rich history of free and fair elections and the electoral process is characterized by a very high level of integrity. 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 Election Integrity Project, which measures each state of the electoral cycle by standardized 100-point scores, rated the integrity quality of 2017 parliamentary election as “very high” and noted especially high quality in the areas of party registration, candidate procedure, district boundaries, vote counting and autonomy of the election management body. However, deficits were noted in regard to voter registration, media access for political parties and campaign financing.

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 other 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. In September 2018, parliament passed a controversial amendment to the Electoral Integrity Bill (so-called “waka-jumping” bill). The bill requires that members of parliament who are expelled from or quit their party will automatically lose their seat, thereby triggering a by-election. Critics argue that this amendment will enable political parties to limit freedom of speech and ignore or reverse the will of voters. Supporters, on the other hand, argue that allowing parliamentarians to leave their parties while remaining in parliament distorts the proportionality of parliament and frustrates the will of affected voters.

Citation:
According to the 2017 Election Integrity report, media coverage (together with campaign finance) was evaluated to be relatively poor in comparison with equivalent democracies in Asia/Oceania and western Europe. With a score of 48 (on a scale from 0 to 100), New Zealand was evaluated worse than South Korea (56) and Japan (52). Major issues are the allocation of election broadcasting time based on criteria that favor the two largest parties, leading to unequal access to funds for political campaign broadcasts and a potentially undue influence exercised by non-party actors. Although in some previous elections televised debates included the leaders of all parliamentary parties, during the 2017 general election the main debates were restricted to the leaders of the two major parties, with the leaders of the largest of the small parties being invited to debate separately (NZ First’s Winston Peters declined to participate). A formal complaint over the exclusion of small parties from the debate was rejected by the courts. In addition to concerns about the fair treatment of minor parties in a multiparty system, the two-tiered arrangement was criticized for thwarting discussion about possible combinations for any future multiparty government. In fact, in its report on the 2017 election, the Election Commission again recommended “that Parliament considers whether the allocation criteria and the current broadcasting regime are fit for purpose.”

Citation:

New Zealand’s electoral process is inclusive and voter registration and voting process is non-discriminatory. Since 1974, the voting age has been 18 years. Discussions concerning lowering the voting age to 16 have seen little progress. 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. Māori may register to vote on either the Māori electoral roll or the general roll. There are seven designated Māori seats in the current legislature (separate Māori representation was introduced in 1867). Additional Māori representatives are elected on the general roll. Electoral boundaries are redistributed every five years. Beyond legal regulations, there are focused and ongoing activities – by the Electoral
Commission in particular – to increase political efficacy and turnout by ethnic minorities, those with disabilities, as well as young voters. Whereas electoral turnout in the postwar period tended to fluctuate between 85% and 91%, in 2014 turnout increased for the first time since 2005. This positive trend continued with turnout for the 2017 election reaching 79.8%, with many voters (47%) voting in advance. Registering for an election can be done electronically. Registered voters then receive an “easy vote” pack with further voting information. However, the Election Commission Report on the 2017 election mentions the need for further “streamlining [of] the special vote process to reduce the impact of the growth of special votes on the timeliness of election results, providing a more accessible online enrollment option to reduce late enrollment, removing restrictions on voting place locations, and addressing barriers that affect voters on the unpublished roll, remote and disabled voters.” Under current rules, prison inmates are barred from voting. In August 2019, the Waitangi Tribunal urged the government to change the law, arguing that the blanket ban on prisoners’ voting rights affects Māori disproportionally (in 2018, Māori were 11.4 times more likely than non-Māori to have been removed from the electoral roll). At the end of November 2019, the justice minister (Andrew Little) – in response to the Tribunal’s recommendation – announced the government’s intention to restore voting rights to people sentenced to less than three years of prison.

Citation:
Raymond Miller, Democracy in New Zealand, Auckland, Auckland University Press, 2015, chapters 1, 5 and 9.

Party financing and electoral campaign financing are monitored by the Electoral Commission. Registered parties have upper limits regarding election campaign financing (including by-elections). Upper limits for anonymous donations as well as donations from abroad are comparatively low (NZD 1,500). The long-standing public-private mix of party financing continues to draw criticism. Private funding in particular is criticized for being insufficiently transparent and unfair to less well-off parties or smaller parties lacking access to parliamentary sources of personnel and funding. According to a research report published in late 2017, more than half of all donations over NZD 1,500 in 2011-2016 came as donations of NZD 15,000 or more. Unsurprisingly, the National party received more donations than Labour, NZ
First and the Greens combined, mainly due to the large number of donations of more than NZD5,000. In October 2018, the Justice Minister announced that his government would consider changing the political funding rules, including lowering the threshold for anonymous donations (NZD 1,000), introducing a cap for individual donations (NZD 35,000) and banning overseas donations. The latter proposal came amid allegations of Chinese interference in New Zealand politics (i.e., in October 2018, Simon Bridges – leader of the National party – was accused of concealing an NZD 100,000 donation from a Chinese businessman with strong links to Beijing).

Citation:
Smyth and White, China donations claims throw New Zealand politics into turmoil, Financial Times (https://www.ft.com/content/7f1eba1c-d1e8-11e8-a9f2-7574db66bed5)

Citizens have the right to propose a national referendum. Legally non-binding Citizens’ Initiated Referendums (CIRs) were first introduced in 1993, the year the government held its own binding referendum on the reform of the electoral system. Most CIRs are initiated by individuals or small groups. 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.

Government-initiated referendums, which are often binding, are used to address questions such as the introduction of a new electoral system (1992 and 1993), reviewing the electoral system (2011), and making changes to the design of the national flag (2015–2016).

After the 2017 election, Labour and its minor coalition partners (the Greens and NZ First) agreed to hold a referendum on the legalization of recreational cannabis at the 2020 election. This referendum is going ahead, along with a second referendum on the End of Life Choice bill. While the government claims that the result will be binding, legal experts have questioned whether this can be guaranteed given the referendum is being held during the 2020 election, at which point a new parliament will have been elected. The National Party has not ruled out ignoring the cannabis referendum result if it comes to
government in 2020. However, it may be difficult for them to ignore the End of Life referendum result as that bill has been initiated by their intended coalition partner, the ACT party.

Citation:

Access to Information

New Zealand performs well in terms of media independence. In the 2019 World Press Freedom Index – published by Reporters Without Borders – New Zealand is ranked seventh, up one place on 2019. The report highlights that “its independence and pluralism are often undermined by the profit imperatives of media groups trying to cut costs.” However, the media is considered to be free from political pressure and intervention. This assessment also applies to state-owned broadcast networks: Television New Zealand (TVNZ) and Radio New Zealand (RNZ). Despite being identified as a public broadcaster, TVNZ is fully commercially funded. The question of whether to make TVNZ non-commercial or steer it toward a more public service-oriented role keeps coming up in the political debate. The two major print and online media providers sought to merge but this was twice denied by the Commerce Commission, with concerns about democracy cited as one of the reasons.

Citation:

Media Pluralism

Score: 4

New Zealand’s media market is only partly competitive. In the TV segment, competition is mainly between Television New Zealand (TVNZ) – which, despite being publicly owned, is run on a commercial basis – and two international media giants: U.S.-owned MediaWorks and Australian-owned Sky. Media pluralism is further threatened by MediaWorks announcing (in October 2019) that its Three network, with a significant news and current affairs element under the banner of Newshub, is for sale. In the meantime, the commercial radio market is largely divided up between MediaWorks and New Zealand Media and Entertainment (NZME), with publicly owned Radio New Zealand acting as a third player. Finally, a near-duopoly also exists in the newspaper and magazine publishing industry, where the market is essentially split between NZME and Australian-owned Stuff (renamed from Fairfax in 2018). While NZME owns the leading daily newspaper, the New Zealand
Herald, Stuff controls the country’s second- and third-highest circulation daily newspapers, The Dominion Post and The Press. Media concentration in New Zealand would have been even worse, if the Commerce Commission had not blocked a proposed merger between NZME and Stuff – a move that was confirmed by the Court of Appeal in October 2018. The merged entity of NZME and Fairfax Media would have had a readership of 3.7 million New Zealanders and controlled more than 90% of the print media market.

There are several online media outlets that provide alternative source of news and information (The Spinoff and Newsroom) however, these outlets register much lower site visit numbers than the major news outlets.

Citation:

Access to government information is regulated by the Official Information Act (OIA) from 1982, which has been reviewed several times. 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 for how queries are handled by public bodies, including a time frame of 20 working days to respond. The Office of the Ombudsman reviews denials of access upon request. Following a number of precedent-setting decisions by the office in recent years, access to official information is now far-reaching, including access to politically sensitive communications between political advisers and ministers as soon as these communications are made.

New Zealand’s OIA scores 94 out of 150 according to the 2019 Global Right to Information (RTI) rating, which puts it ahead of many other OECD countries, including Australia (84) and the United States (83). The RTI concludes that New Zealand’s access-to-information regime “functions better in practice than its legal framework would suggest.”

The media continue to demand changes to the OIA and journalists routinely vent their frustration on social media using the hashtag #fixtheOIA. In particular, government agencies have been criticized for taking longer periods of time to respond to information requests than allowed for by the OIA. However, recent data suggests that processes are improving. According to data released by the OIA Ombudsman, the number of complaints shows a downward trend. In the six months from 1 January to 30 June 2019, the Office of the Ombudsman says it received 693 OIA, down 30 (4.1%) on the previous six months.
Civil Rights and Political Liberties


However, this does not mean that there are no infringements of citizens’ civil rights in New Zealand. For one, the powers of the Government Communications Security Bureau (GCSB) 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. 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. The New Zealand Intelligence and Security Bill 2016 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 represents a significant improvement to legislation, “there are aspects of the bill which are still of concern,” notably the definition of national security. The 2017 Intelligence and Security Act brings the GCSB and the NZ Security Intelligence Service (SIS) under the same law. In a fundamental shift in policy, it permits the GCSB to monitor New Zealanders if national security issues are at stake.

A further line of critique concerns the treatment of prison inmates. An independent report published by the Human Rights Commission in 2017 highlights that solitary confinement and restraint practices were not always used as emergency last resort tools, as required by international law. The use of tie-down beds and/or waist restraints in at-risk units was found to amount to cruel, inhumane or degrading treatment or punishment. Following the report, the Corrections Department decided in April 2019 to ban their use of tie-down beds prisons.
Political liberties are effectively protected under the Bill of Rights Act 1990. Those who believe that their rights have been infringed upon can file a suit before the High Court. Although the bill has the status of ordinary law and can be amended or repealed by a simple majority of parliament, every effort has been made to protect and enhance the integrity of the bill as a fundamental feature of New Zealand’s constitutional arrangements. In addition, the New Zealand Council of Civil Liberties is an active, non-governmental organization that promotes these liberties. In its 2019 Freedom in the World report, U.S.-based think tank Freedom House awards New Zealand a perfect score of 40/40 on the dimension of “political rights.” After the right-wing terrorist attack on a mosque in Christchurch in March 2019, the New Zealand government set up a dedicated investigative unit to find and prosecute “hate speech” online. Under existing terrorism legislation, the shooter’s 74-page manifesto was classified as “objectionable,” making it a crime to hold, share or quote from. While critics argue that these steps threaten the freedom of expression, supporters of the government’s actions point at the radicalizing effects of extremist online content.

Citation:
RNZ, Government announces $17 million to target violent extremist content online (https://www.rnz.co.nz/news/political/400957/government-announces-17-million-to-target-violent-extremist-content-online)

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). The Human Rights Act protects all people in New Zealand from discrimination including on the basis of gender, religion, ethnicity and sexual orientation.

Citation:

Political Liberties
Score: 10

Non-discrimination
Score: 8
What is more, New Zealand has, for a long time, pursued positive discrimination measures to address the structural disadvantages to which the Māori are subject. The electoral system for parliamentary elections has, since the implementation of the Māori Representation Act in 1867, included Māori electorates specially set up for people of Māori ethnicity or ancestry who choose to place themselves on a separate electoral roll (currently, there are seven Māori electorates). In 1975, the Treaty of Waitangi Act established the Waitangi Tribunal to redress grievances that Māori face as a result of colonization. In particular, the Waitangi Tribunal investigates Māori land claims and comments on government policies that have the potential to affect the Māori population. New Zealand law also imposes Māori quotas in certain areas, such as in fishing and tertiary education.

However, these measures have had little effect, as Māori continue to experience significant disadvantages in a wide range of ways. Compared to Pākehā (New Zealanders of European descent), Māori suffer worse health, have lower education attainments, employment and income, and are more likely to be victims of crime. Māori are also disproportionately represented in the penal system, accounting for just over half of the prison population as of December 2018.

In 2018, the United Nations Committee on Economic, Social and Cultural Rights expressed serious concerns about racial discrimination. The Committee called attention to the fact that Waitangi Tribunal recommendations are not binding and are frequently ignored, and recommended that the New Zealand government “take immediate steps” to work with Māori in developing the constitutional role of the Treaty of Waitangi.

In addition, New Zealand has come under international scrutiny for the human rights situation for the LGBTQI community. In January 2019, the United Nation’s Human Right’s Council highlighted that, in its current state, the Human Rights Act does not explicitly protect people from discrimination on the grounds of gender identity, it only prohibits discrimination on the grounds of sex.

Citation:
Rule of Law

New Zealand follows the British tradition and, therefore, its constitution is not found in a single constitutional text. Instead, the constitution includes a mix of conventions, statute laws and common laws within the framework of a largely unwritten constitution. In addition, the Treaty of Waitangi is increasingly seen as the founding document of New Zealand. The Constitution Act 1986 is a key formal statement of New Zealand’s system of government, in particular the roles of the executive, legislature and the judiciary. Other important legislation includes the Electoral Act 1993, the State Sector Act 1988, the Supreme Court Act 2003, the Judicature Act 1908, the Treaty of Waitangi Act 1975, the Official Information Act 1982, the Ombudsmen Act 1975, the New Zealand Bill of Rights Act 1990, and the Human Rights Act 1993.

The scattered and incomplete nature of these documents notwithstanding, New Zealand constantly receives the highest scores in comparative measures of the quality, consistency and transparency of the rule of law.

Citation:

Judicial Review

New Zealand does not have a Constitutional Court with the absolute right of 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 the Westminster system of government, which is very common among Commonwealth countries, parliament is sovereign. On the other hand, the courts may ask parliament to provide clarification of its decisions. The judicial system is hierarchical, with the possibility of appeal. Since 2003, New Zealand’s 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. Still, legislative action is not justiciable in the High Court under the existing constitutional arrangements; parliament remains supreme in law. Yet, there are reform discussions which refer to the enhancement of judicial power to consider the constitutionality of legislation, and to invalidate it where necessary. An institution specific to the country is the Māori Land Court, which hears cases relating to Māori land (about 5% of the total area of the country). Equally important is a strong culture of respect for the legal system.

All judicial appointments are made by the governor-general based on the recommendation of the attorney-general. The convention is that the attorney-general recommends new appointments, with the exception of the chief justice, Māori Land Court and court of appeal judges. Appointment of the chief justice is recommended by the prime minister.

The appointment process followed by the attorney-general is not formally regulated. That said, there is a strong constitutional convention in New Zealand that, in deciding who is to be appointed, the attorney-general acts independently of party political considerations. There is a prior process of consultation, however, that is likely to include senior members of the judiciary and legal profession. Judges enjoy security of tenure and great judicial independence. 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. So far, however, the recommendations of the Law Commission have not been implemented.

Citation:
Paul Bellamy and John Henderson, Democracy in New Zealand (Christchurch: MacMillan Brown Centre for Pacific Studies, 2002).

New Zealand’s public sector is perceived to be one of the least corrupt in the world. There is a very low risk of encountering corruption in the public service, police or the judicial system. Prevention of corruption is strongly safeguarded by such independent institutions as the auditor general and the Office of the Ombudsman. The 2018 World Bank Governance indicators put New Zealand in the top 0.5 percentile regarding “control of corruption.” However, this does not mean that the country is free of corruption. For example, Deloitte Bribery and Corruption Survey 2017 found that approximately 20% of New Zealand companies surveyed had come across some form of corruption. There are also concerns about “revolving door” practices, whereby individuals shift between government positions and private sector jobs, and vice versa. In addition, critics have pointed out that local government struggles with issues of transparency, accountability and financial management to a much greater extent than political institutions at the national level.
Citation:
Governance

I. Executive Capacity

Strategic Capacity

New Zealand has unique constitutional arrangements resulting in a significant concentration of power in the cabinet and a highly cohesive system of cabinet government. 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 (26, with a further three undersecretaries), most of whom are responsible for several portfolios, taking a whole-of-government approach to policy development can be complex and time-consuming. In addition to this, since 1996, coalition governments and support party arrangements have meant that cabinet government, while still an essential aspect of the system, includes a multiparty dimension that can disrupt collective ministerial responsibility.

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. The DPMC consists of six units: the Cabinet Office, Government House, the Policy Advisory Group, the National Assessments Bureau, the Domestic and External Security Group, and the Corporate Services Unit. The Domestic and External Security Group played a key role in coordinating the government’s response to the Christchurch terrorist attack in March 2019.

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 prime minister can draw on only
moderate strategic-planning capacity (in the form of the 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.

Citation:

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 affairs and tertiary education. The NZ Treasury established a critical friends advisory group in advance of delivery the country’s first Well-being budget in 2019; the Commission for Financial Capability has an advisory group made up of academics and civil society experts. In addition, a Data Governance network and an Indigenous Data Sovereignty Network have been established. The network of Science Advisers established under the previous government has been expanded, and the academic science advisers selected since 2017 have included more women, indigenous and Pacific island experts. Thus, the importance of scholarly advice is increasing. Recent significant consultation initiatives include reports by the Welfare Expert Advisory Group in April 2019 (the government accepted a number of recommendations, including an increase of the amount welfare beneficiaries can earn before their benefit is cut), a Mental Health Inquiry, and the Tax Working Group, also published in April 2019 (the Labour-led administration took a number of recommendations forward but rejected others – in particular, a proposed capital gains tax). Indeed, the current government as increased the number of policy design working groups to the point where the opposition has taken to criticizing it for taking too long to make executive decisions. The government also passed legislation to establish a Climate Change Commission, which will have advisory, monitoring and reporting responsibilities under the Zero Carbon Bill – legislation that will codify the reduction of New Zealand’s carbon emissions to net zero by 2050.

Citation:
Tax Working Group (https://taxworkinggroup.govt.nz/)
Interministerial Coordination

The Policy Advisory Group in the Department of the Prime Minister and Cabinet (DPMC) currently consists of twelve 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. 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.

To support the prime minister and her government’s priorities, DPMC added the Child Well-being and Poverty Reduction Group as a business unit in February 2018. DPMC’s wider Policy Advisory Group continues to play a crucial role in aligning the public service’s effort in supporting the government’s priorities and providing free and frank advice to the prime minister on all items of government business.

Citation:

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 that govern the coordination of policy formulation in the core executive.

Citation:

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 2018 to 30 June 2019, the full cabinet met 41 times while cabinet committees met 182 times. A revised cabinet committee structure was implemented in October 2017 following the formation of the government after the general election. The overall number of committees remained ten, but
seven out of ten committees were discontinued or superseded. Key committees are now the Cabinet Legislation Committee, the Committee on Economic Development and the Cabinet Environment, Energy and Climate Committee.

The cabinet process is overseen by the cabinet office on the basis of clear guidelines. Under the new Labour-NZ First coalition, the so-called Cabinet Office Circular CO (17) 10 provides practical guidance for ministers and departments on implementing the coalition agreement between Labour and New Zealand First as well as the confidence and supply agreements between Labour and the Green Party. 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 required processes are 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 (parliamentary rather than extra-parliamentary), and ministers and their parliamentary advisers. Although media commentary tends to not draw a distinction between formal coalitions (e.g., Labour/NZ First, 2017-present) and non-coalition support parties (e.g., Green Party, 2017-present), the Cabinet Manual seeks to at least formally clarify which procedures should be used as a guideline in case of informal coordination. It is important to mention, however, that the coordination process is largely limited to party leadership and excludes the extra-parliamentary wing of the party (i.e., party members, activists and officials).

The New Zealand government has identified a coordinating unit for ICT deployment at the center of government, developed a strategy (2015 ICT strategy) for coordination across government levels in order to improve effectiveness, and introduced new bodies in charge of leading the digital
transformation. In 2017, the portfolio of minister for government digital services was created. The government chief digital officer (GCDO) is the government functional lead for developing and improving digital infrastructure across government. The GCDO is supported by the Digital Government Partnership, which is a partnership of stakeholders from agencies across government to support the goal of a coherent, all-of-government digital system. It helps the GCDO and government chief data steward (GCDS) to develop and improve the digital and data system across government; ensures government is aligned with the government ICT strategy; and reviews and informs the strategy. The partnership is made up of a leadership group and four working groups that support the strategy as well as a chairs’ group, which bring together experts from across the different focus areas to provide support and advice to the leadership group. However, it is not absolutely clear how effective the use of digital technologies really is, especially with regard to interministerial coordination.

Citation:
https://www.digital.govt.nz/

Evidence-based Instruments

New Zealand introduced a regulatory impact assessment (RIA) regime in the period 1997-2008. The National Party government introduced guidelines in late 2009, with the effect that 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. The Labour-NZ First coalition implemented a number of routine updates and amendments to the legal framework.

Treasury assumes a lead role on regulatory management. It is the national coordinating body on regulatory management, tasked with oversight of regulatory systems, including regulatory impact statements (RISs) and regulatory policy, that reports to the minister of finance and the minister for regulatory reform. The Parliamentary Counsel Office has the statutory function to develop all drafting instructions (other than for tax law). There are five other institutions that play important roles: Legislation Design and Advisory Committee; The Law Commission; The Productivity Commission; the Parliamentary Select Committees; and the Parliamentary Regulatory Review Committee.
The New Zealand Treasury periodically commissions independent reviews of the quality of RIA. Based on these reviews, the RIA system has been refined over time. The approach adopted has a strong emphasis on a regulatory impact statement (RIS) being embedded as part of a good policy development process rather than being a compliance requirement to be hurdled at the end of the policy development process. RIS are now produced for all substantive government bills and are widely accepted by departments, although systematic evidence on their use by ministers and parliamentarians is lacking.

The major development in the period after 2008 was the introduction of statutory expectations for departmental chief executives concerning regulatory stewardship. Treasury has been proactive in developing guidance for the new regulatory stewardship provisions applying to departmental chief executives. Moreover as part of the government’s response in 2015 to the Productivity Commission Inquiry, departments are now required to publicly disclose their strategies and systems for meeting their regulatory stewardship expectations. These requirements are works in process.

The quality of RISs, while improving, remains unclear. The Treasury’s RIS on the proposed Regulatory Responsibility Act commented “We all know that the analysis we see in Regulatory Impact Statements (RISs) is often not of the highest standard and as a consequence is little used or valued” (Ayto 2011). The Treasury estimates that in 2012 only 62% of RIAs fully met cabinet requirements and subsequent reviews “suggest that the quality of RISs has not improved” (Sapere Research Group 2015).

In 2019, the Treasury issued new regulatory impact assessment guidelines and requirements for broader impact analysis (NZ Treasury 2019a; NZ Treasury, 2019b).
Without using the term “sustainability” explicitly, the regulatory impact assessment (RIA) process includes major aspects of this concept. 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, among others, whether problems persist and if objectives are being met.

Citation:

Despite the dominant role of ex-ante RIAs, steps are also taken to implement ex post RIAs. However, the quality of ex-post evaluation of public policies remains unclear. They are not mandatory and there is no established methodology for conducting them. Introducing systematic reviews of regulation could potentially help strengthen the policymaking process. There is little evidence to assume that this has changed in the review period of the SGI 2020.

Citation:
https://treasury.govt.nz/publications/legislation/regulatory-impact-assessments

Societal Consultation

New Zealand has a strong tradition of broad policy consultation with interest groups and with its citizens – both at the national and the local levels – 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. There is no general legal requirement for consultation in the regulatory process, but consultation is an explicit policy of the government, embedded within New Zealand’s policymaking processes, provides information for cabinet discussions, and is one of the key quality-assurance criteria. When a consultation has taken place, the details of any consultations, internal and external, are set out in regulatory impact statements.
(RIS). RISs must explain who has been consulted and what form the consultation took, outline key feedback received (with particular emphasis on any significant concerns that were raised about the preferred option) and describe how the proposal has been altered to address these concerns (and if not, why not). If no consultation has been undertaken, the reasons must be presented. While parliamentary select committees hold hearings on proposed legislation once it has been introduced in parliament, which gives individuals and organizations the opportunity to make written or oral submissions, the incidence of bypassing select committees by introducing bills under urgency is growing. 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.

Citation:

Policy Communication

New Zealand has a tradition of highly coherent and cohesive cabinets. The current government (2017–2020) is somewhat unusual, however, in that it is a minority coalition of two parties with quite disparate policy objectives (Labour, New Zealand First), supported by a third party with no history of government experience. And, in fact, political commentators described the first few months of the coalition government as “chaotic”: while Labour tried to rush through an ambitious “100-day plan,” New Zealand First and the Greens – worried about getting “swallowed” by Labour in the 2020 elections – made a conscious effort to communicate differentiated policy positions. For example, coalition parties publicly clashed over Labour proposals to abolish the 90-day trial period for new workers, repeal the Three Strikes law (increases the prison sentences of persons convicted of a felony who have been previously convicted of two or more violent crimes), and introduce a capital gains tax. However, over time, communication among coalition partners became significantly more coherent – in line with previous governments. In addition, the government has invested heavily in public relations: between 2017 and 2018, the number of government communications staff doubled.

Citation:
Implementation

Labour came to power in 2017 – albeit needing the support of two minor parties, NZ First and the Green Party – on the back of pledges to “a fairer country for all New Zealanders” and the popularity of its leading candidate, Jacinda Ardern – the youngest prime minister in over 150 years. The Labour-led government has certainly delivered on a number of its campaign promises, which include raising the legal minimum wage, allocating more money to public health, and passing measures designed to tackle child poverty and domestic violence. Jacinda Ardern was also widely praised for her response to the Christchurch mosque shooting in March 2019. However, in the second half of 2019, Labour’s support in opinion polls was still behind the major opposition party, and Ardern’s personal rating had dropped to 41% favorability (down from 50%). The government’s falling approval ratings are due in part to policy objectives not being met. In particular, the government vowed to cool down New Zealand’s overheated property market, which ranks among the most “unaffordable” in terms of income-to-housing-costs ratios. However, KiwiBuild – the government’s scheme to build 100,000 affordable homes between 2017 and 2027 – was axed after only eighteen months and a ban on foreign home buyers (implemented in October 2018) does not seem to have had a significant effect on property prices. In addition, Labour had promised fee-free tertiary education for first-year students, with plans for the policy to be extended to three years’ free fees. However, the government saw itself forced to limit the expansion program in 2019 after it was found that overall enrollment figures had actually dropped. However, a first-year “fees free” for all higher education students remains in place.

Citation:
Church, Has the buyer ban worked?, New Zealand Herald (https://www.nzherald.co.nz/property/news/article.cfm?c_id=8&objectid=12229858)
Rutherford, Low enrolments sees $200m clawed back from fees-free scheme, Stuff (https://www.stuff.co.nz/business/112710129/low-enrolments-sees-200m-clawed-back -from-fees-free-scheme)
Walls, KiwiBuild reset: Government axes its 100,000 homes over 10 years target, New Zealand Herald (https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12264757)

There is a strong tradition of a highly cohesive system of cabinet government. Ministers are allowed to disagree over policy initiatives – even in public – but once a decision has been made in cabinet, they must follow the collective will. 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). Labour party ministers are appointed through a process of election by all the party’s parliamentarians, with the prime minister’s direct power being largely
limited to the ranking of ministers and 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 somewhat restricted, although the actual number of cabinet positions assigned to each small party is largely a matter for the prime minister.

Collective responsibility within a formal coalition arrangement is strengthened by an extensive list of coalition management instruments, based on a comprehensive coalition agreement regarding the legislative agenda but also procedures to ensure coalition discipline. There are also procedures for dealing with a minority government. Coalition partners are not bound by collective responsibility. Rather, they are brought into cabinet meetings only to discuss their own portfolio issues, so that they may retain the freedom to disagree with the lead party in the government should they so wish.

Citation:

Following the experience of fragmented policymaking in vertically integrated networks, recent governments have strengthened the steering capacity of the core executive. All contracts between cabinet, on the one side, and line ministries, ministers and chief executives, on the other side, are based on a whole-of-government policy approach.

Citation:

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

Citation:

New Zealand is one of the most centralized jurisdictions in the OECD. More than 90% of government workers are employed by central government organizations, and almost all citizen-facing public services – including policing, fire services, education and health – are central government activities. Almost all local regulation is undertaken by an agent of central government, with little locally initiated regulation. In addition to their relatively narrow task profile, local governments are not permitted 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 (taxes on real-estate holdings and charges). They have
Local governments do not enjoy constitutional status, as they are creatures of statute. 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, a comprehensive reform program ("Better Local Government") culminated in the Local Government Act 2002 Amendment Act 2014. According to the Department of Internal Affairs, the act includes: 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 the disclosure of 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.

Citation:

There is a dense network of agencies that are involved with the development and monitoring of local government, including 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 form part of the Local Government Act 2002 Amendment Act 2014. In June 2017, the Local Government Act 2002 Amendment Bill (No 2) passed its second parliamentary reading, which includes the Better Local Services reforms. The bill would have continued the general trend of increasing central government scrutiny and control over local government. The bill was the subject of criticism, especially in Auckland with its relatively new “super city” structure and population of 1.4 million. However, smaller municipalities had also been critical of the reforms, describing them as being undemocratic, especially the “draconian” powers granted to the Local Government Commission. Following the September 2017 election and the change of government, the bill was not moved forward to the third reading. Tensions between central and local government over the allocation of responsibility continue to be felt in areas such as housing, especially over local governments’ perceived slowness in granting building permits and in maintaining environmental standards.

Citation:

The enforcement of regulations is generally effective and unbiased. As in other democracies, regulations themselves (particularly those specific to an industry) are heavily influenced by powerful vested interests. Regulatory capture – a situation in which an industry has the power to determine the activity of a government agency tasked with regulating the industry – certainly occurs and can result in the weak enforcement of regulations. Examples include the fishing and mining industries. The conclusions of the Pike River inquiry show that the regulation of occupational health and safety in mining had in effect been subject to regulatory capture by employers. Critics argue that the state of the electricity sector displays many symptoms of regulatory capture. There was also widespread criticism of the Securities Commission for its failure to control unacceptable behavior among investors and companies, contributing to a lack of confidence in the share market and other forms of investment. There was continuing opposition to greater regulation from some powerful and vocal parties, such as the Business Roundtable. It is difficult to distinguish the
effects of weak legislation, weak regulator and regulatory capture, but the outcome of the limited standards and enforcement has suited some interests despite being to New Zealand’s long-term detriment.

Citation:

Adaptability

New Zealand follows the Westminster model of democracy, which is characterized by a low number of institutional veto players and centralizes political decision-making power in the executive. New Zealand’s political system thus gives the government – at least in principle – the ability to respond to international challenges promptly and effectively. Probably best known is New Zealand’s response to global economic headwinds in the 1980s, when – triggered by oil shocks in the 1970s and Britain shifting its trade to Europe – successive governments carried out radical neoliberal reforms that turned the country into a poster child of free-market globalization.

With the implementation of a mixed-member electoral system in 1996, the institutional capacity to meet new international demands has somewhat declined – not least because single-party majority governments (which used to be the typical outcome under the old first-past-the-post system) have been replaced by multiparty coalition and minority governments. Still, the political system has again and again proven its ability to innovate and adapt in response to international challenges. Of particular note are reforms implemented in the wake of the 2008/09 global financial crisis, which prompted the government to tighten expenditures and reconsider how to deliver improved citizen-centered services at reduced cost. The 2014 “Better Local Government” reforms were designed to (1) clarify the core responsibilities of local councils, (2) set clear fiscal responsibility requirements, and (3) give councils more tools to better manage costs. The 2015 amendment to the Government ICT Strategy aims at rationalizing public service delivery by strengthening coordination across different government agencies and by establishing a digital platform for federated services.

Citation:
In general, New Zealand’s political system stands out for its capacity to coordinate among different government agencies and enforcing policies effectively. However, when it comes to tackling global challenges and implementing multilateral frameworks, the picture is mixed. This suggests that, in some policy areas, it is political will – rather than institutional capacity – that poses the main obstacle. For example, New Zealand performs relatively well in terms of working toward inclusive economic development at the global level. The country is a signatory to a number of multilateral free-trade agreements with developing countries, and – crucially – these agreements have been transposed into domestic law and their implementation is effectively coordinated across different ministries, such as the Ministry of Foreign Affairs and Trade and the Ministry for Primary Industries. In November 2019, the country passed the Climate Change Response (Zero Carbon) Amendment Act. However, the success of its implementation remains to be seen.

Citation:
Climate Action Tracker, New Zealand (https://climateactiontracker.org/countries/new-zealand/)

Organizational Reform

While New Zealand’s political system does not provide codified mechanisms for routine reviews of its institutional arrangements, both National Party and Labour governments have repeatedly surveyed the system’s performance in the past – through a number of different devices. For example, governments have used referendums to consult citizens directly on institutional issues, including on the electoral system (1993 and 2011), and established expert/stakeholder advisory groups in a number of areas, such as Open Government Partnership (OGP) processes (2016-) and data ethics (2019-).

New Zealand’s strategic-planning capacity is already relatively high. There is thus little space for further improvement. Nevertheless, governments have shown commitment to coordinate and streamline the relations between different institutional actors at the core of government. In particular, the Cabinet Manual – the primary authority on regulating the conduct of ministers and their offices – has served as a framework through which to improve strategic capacity. For example, The Manual includes a “no surprises” convention, whereby departments are required to inform ministers promptly of matters of significance within their portfolio responsibilities, particularly where matters may be controversial or may become the subject of public debate. In November 2019, new public sector reform legislation was introduced into parliament. The proposed legislation will repeal the State
Sector Act 1988 will be repealed and replace with the Public Service Act. The new act will give the public service more flexibility in its response to specific priorities or events, allow public servants to move between agencies more easily, and clearly establish the principles of an apolitical public service. Chief executive boards, or joint ventures, could also be set up to tackle very difficult issues; they would be accountable to one minister and receive a direct budget appropriation. Submissions on the bill closed in January 2020 and the bill is expected to pass mid-2020.

Citation:

II. Executive Accountability

Citizens’ Participatory Competence

Many New Zealanders appear to appear to be relatively well informed about political issues. According to the 2017 New Zealand Election Study (NZES), 33% of respondents were “very interested” in politics, 49% “somewhat interested.” Roughly two-thirds of citizens make use of the news media to inform themselves about political issues. Asked how often they had followed election news on TVNZ 1, 65% of respondents replied either “often” or “sometimes.” The figure is similar for online sources, with 62% of respondents declaring that they had turned to the internet at least once to find information about the 2017 election. The figures for the 2017 NZES also reveal that political interest and knowledge had increased since 2014.

On issues that have public resonance, relevant select committees – on average – receive a large number of public submissions. For example, in the case of the Smoke-free Environment (Tobacco Plain Packaging) Amendment Bill, the relevant committee received more than 15,600 submissions. The various policy working group meetings that have been undertaken since 2017 have been attended by large numbers of citizens around the country. For example, over 2,000 people attended meetings held by the Mental Health Inquiry team around the country (in 2018).

Citation:
New Zealand Election Study 2017 (http://www.nzes.org/exec/show/2017_NZES+Results)
In global comparison, New Zealand performs relatively well when it comes to publishing data and information as a means to strengthening vertical accountability mechanisms. In the 2018 Open Government Index, published by the Open Knowledge Foundation, New Zealand is ranked 8th out of 94 countries. New Zealand enjoys even higher rankings in the 2017 Open Budget Index (ranked joint first out of 101 countries) and the 2016 Open Data Barometer, released by the World Wide Web Foundation (ranked 7th out of 115 countries). New Zealand’s position is relatively lower in the 2017 OECD OURdata Index on Open Government Data (ranked 13th out of 34 countries); however, New Zealand’s score for ensuring public sector data availability and accessibility is still higher than the OECD average. In 2016, the State Services Commission formed a stakeholder advisory group to work with the government on New Zealand’s Open Government Partnership processes. In addition, the government’s administrative data, along with census data, has been integrated into the Integrated Data Infrastructure, which researchers can access by application. Additional data sets, co-designed with indigenous peoples have been developed, focusing on capabilities rather than deficits. This data is also publicly available on request.

Citation:
International Budget Partnership, Open Budget Index (https://www.internationalbudget.org/open-budget-survey/open-budget-index-rankings/)
Open Knowledge Foundation, Global Open Data Index (https://index.okfn.org/)

Legislative Actors’ Resources

While New Zealand members of parliament are not generously equipped with financial or personnel resources to monitor government activity, they do have access to party research budgets, which fund party research units. Each party’s research unit follows up on parliamentarians’ requests, especially in preparation for parliamentary debates. Other personnel available to individual members of parliament include an executive assistant (in parliament) and electorate staff, with constituency members being more generously funded than those on the party lists. The Clerk’s Office provides other research support for members through the independent Parliamentary Research Service and, for members of select committees, via various secretariat. The parliament budget also provides research support for other intra-party groups within parliament. Despite the availability of these resources, opposition parties are sometimes placed at a distinct disadvantage relative to the breadth of staff, research and other resources made available to the parties in government.
Obtaining Documents

Score: 9

The Cabinet Manual defines the right of committees to ask for government documents. All documents must 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. In recent years, efforts have been made to restrict the number of select committees any individual member of parliament may sit on. Select committees are appointed at the start of each parliament following a general election. The number of members on a committee can vary, but normally a committee has between six and twelve members each, with parties broadly represented in proportion to party membership in the House of Representatives. Areas of ministerial responsibility are reflected in twelve subject-select committees and five specialist committees (under the Labour-led government, 2017 – present). These committees had to scrutinize 70 portfolios and four “other ministerial entities” (as of November 2019), led by twenty cabinet ministers, four ministers outside cabinet, three support party ministers and two parliamentary undersecretaries.

Citation:
Department of the Prime Minister and Cabinet, Ministerial list (https://dpmc.govt.nz/our-business-
Media

The New Zealand media landscape is dominated by commercial companies, the largest of which are controlled by international conglomerates. While the newspaper segment, which is split between New Zealand Media and Entertainment (The New Zealand Herald) and Australian-owned Stuff (The Dominion, The Press), does generally provide high-quality content on New Zealand politics, the same cannot be said about television and radio. TV broadcasters mainly focus on entertainment, the only major exceptions being publicly owned Television New Zealand (1 News, Q+A) and Three (Newshub). However, in October 2019, MediaWorks – the U.S. media giant that owns Three – announced that the network is for sale, which could decrease the amount of political news content even further. Meanwhile, among radio stations, it is essentially only publicly owned Radio New Zealand that produces programs on domestic politics (e.g., First Up, Five O’clock Report, The Panel).

Parties and Interest Associations

There are currently five political parties in the New Zealand House of Representatives. The two major parties, National (55 seats) and Labour (46 seats) dominate the electoral map. The minor parties – NZ First, the Green Party and the ACT Party – hold nine, eight and one seat(s), respectively.

The organizational structure of the Labour party is complex, as it mainly consists of affiliated members – that is, those who are members of affiliated 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 approximately 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 into account criteria such as ethnic background, gender and region. Following pressure from grassroots members to have a voice in the selection of the party leader, in 2011 the party took away the parliamentary caucus’s sole responsibility for choosing the leadership, replacing it with a combination of party membership (40%), parliamentary caucus (40%) and affiliated trade unions (20%).

The National Party 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 been equally centralized at the expense of regional party organizations. The party leader is chosen by the members of the parliamentary caucus.

While NZ First and the ACT Party are also based on centralized organizations, the Green Party stands out from the rest of the party system with its emphasis on participatory processes: in contrast to other 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:
Candidate Selection and List Ranking Procedures 2014 (Wellington: Green Party of Aotearoa New Zealand 2014)

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 (bringing together over 320,000 members in 27 affiliated unions), Federated Farmers, and the Chambers of Commerce, and BusinessNZ. All are involved in policy formation and dissemination, and all seek to influence government policy. However, there is an underlying asymmetry. During the 1990s and 2000s business interests relied 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:
New Zealand Council of Trade Unions, About us (https://www.union.org.nz/about/)
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 (RIS). Recent RISs claim that consultation has had a substantive impact in several cases. Still, resource shortages prevent some interest associations from developing specialist policy knowledge that would give them tangible impact in the consultation process.

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 (RIS). Recent RISs claim that consultation has had a substantive impact in several cases. Still, societal groups differ significantly in their organizational resources and thus in their ability to make an impact on policy consultation processes. The Zero Carbon Act that was passed in early November 2019 is a case in point. While the consultation process received around 15,000 submissions – including those from environmental organizations and Māori groups – the law has been criticized for giving undue benefits to dairy industry lobby groups: the law stipulates a reduction of greenhouse gases to net zero by 2050, with the exception of methane from meat and dairy herds – New Zealand’s largest greenhouse gas emission (the target for methane is a cut between 24%-47% from 2017 levels).

Citation:

Independent Supervisory Bodies

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). Ombudsmen are officers of Parliament. Each ombudsman is appointed by the governor-general on the recommendation of parliament. Ombudsmen are responsible to parliament and independent of the government. Their overall purpose is to investigate, review and inspect the administrative conduct of public sector agencies and provide advice and guidance in order to ensure people are treated fairly in New Zealand. The office is highly effective in terms of formally or informally resolving complaints. In 2018-2019, 11,886 complaints were received, of which 11,793 had been completed by the time the annual report was published.


The Privacy Act 1993 came into force in July 1993. The Privacy Principles in the act may be superseded by a code issued by the Privacy Commissioner for particular sectors. There are currently six codes in operation: the Civil Defence National Emergencies (Information Sharing) Code, the Credit Reporting Privacy Code, the Health Information Privacy Code, the Justice Sector Unique Identifier Code, the Superannuation Schemes Unique Identifier Code and the Telecommunications Information Privacy Code.

The Privacy Commissioner administers the Privacy Act 1993. Between July 2018 and June 2019, the Privacy Commissioner responded to almost 8,000 public enquiries. During the 2018/19 reporting year, 894 investigation files were closed – a 26% increase on the 2017/2018 period. Some 87% of investigation files were closed within six months.

In recent years, both the New Zealand Law Commission and the Office of the Privacy Commissioner have made recommendations for particular areas of reform (including mandatory breach notification and stronger enforcement powers) to bring New Zealand’s privacy law in to line with other jurisdictions. The minister of justice introduced a bill amending the current Act in March 2018. The proposal includes stronger powers for the privacy commissioner, mandatory reporting of privacy breaches, new offenses and increased fines. The bill passed its second reading in early August 2019.

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