

Human Resources Institute of New Zealand (HRINZ)



Goa, India

24-26 September 2013.

1. Current economic and political situation in the country

Economy and Labour Market Situation¹

Area and Population

New Zealand is a parliamentary democracy situated in the South Pacific Ocean, 6,500 kilometres (4,000 miles) south-southwest of Hawaii and 1,900 kilometres (1,200 miles) to the east of Australia. With a land area of 268,000 square kilometres (103,000 square miles), it is similar in size to Japan or Britain. It is comprised of two main adjacent islands, the North Island and South Island, and a number of small outlying islands. Because these islands are widely dispersed, New Zealand has a relatively large exclusive maritime economic zone of 4.1 million square kilometres.

Over half of New Zealand's total land area is pasture and arable land and more than a quarter is under forest cover, including 1.7 million hectares of planted production forest. It is predominantly mountainous and hilly, with 13% of the total area consisting of alpine terrain, including many peaks exceeding 3,000 metres (9,800 feet). Lakes and rivers cover 1% of the land. Most of the rivers are swift and seldom navigable, but many are valuable sources of hydro-electric power. The climate is temperate and relatively mild.

New Zealand's resident population at 30 June 2012 is estimated at 4,433,100. With an estimated population of 1,486,000 people, the Greater Auckland Region is home to 33 out of every 100 New Zealanders and is one of the fastest growing regions in the country. New Zealand has a highly urbanised population with around 72% of the resident population living in urban entities with 30,000 or more people. As at June 2010, over half of all New Zealanders (53%) lived in the four main urban areas of Auckland (1,354,900), Hamilton (203,400), Wellington (389,700) and Christchurch (390,300).

The population is heavily concentrated in the northern half of the North Island (52%), with the remaining population fairly evenly spread between the southern half of the North Island (24%) and the South Island (24%).

Background

The New Zealand economy entered recession in early 2008, before the effects of the global financial crisis set in later in the year. A drought over the 2007/08 summer led to lower production of dairy products in the first half of 2008. Domestic activity slowed sharply as high fuel and food prices dampened domestic consumption, while high interest rates and falling house prices drove a rapid decline in residential investment.

The outlook for the New Zealand economy deteriorated sharply following the intensification of the global financial crisis in September 2008. Similar to experiences across advanced economies, business and consumer confidence plummeted as uncertainty dominated the global financial and economic environment. In addition, local banks' access to funding in overseas markets was temporarily curtailed at the height of the crisis.

Response to Global Financial Crisis (GFC)

The Government and the Reserve Bank of New Zealand (RBNZ) responded to the crisis with a range of measures designed to alleviate its effects. The RBNZ lowered the Official Cash Rate (OCR) from its level of 8.25% over the year to July 2008 to a low of 2.5% at the end of April 2009. The Bank also introduced a range of facilities to ensure that adequate liquidity was available to the banking sector. The Government introduced retail and wholesale bank guarantees aimed at restoring confidence in the banking sector and providing banks with improved access to wholesale funding. The Labour-led Government proceeded with

¹ [www.treasury.govt.nz/Economic and Financial Overview 2013](http://www.treasury.govt.nz/Economic%20and%20Financial%20Overview%202013)

personal income tax cuts on 1 October 2008 and the new National-led Government, which came to power in November 2008, introduced further tax reductions effective from 1 April 2009.

Other measures taken by the new Government in December 2008 were aimed more directly at alleviating the effects of the downturn, including infrastructure projects and a temporary relief package to assist small and medium-sized businesses.

Growth

In total, New Zealand experienced six quarters of negative economic growth between the March quarter 2008 and the June quarter 2009, totalling 4.0% of real GDP. The relative shallowness of the recession compared favourably with other nations in the OECD, with New Zealand sixth least affected out of the 34 member nations.

The New Zealand economy then grew for four consecutive quarters up to mid-2010, totalling 3.0% of real GDP. The recovery was led by exports, with strong demand from major trading partners, Australia and China. This was helped by historically high prices for New Zealand's commodity exports, which flowed through to a high terms of trade. The strength in the external sector was led by a boom in demand from China, which boosted dairy and log exports. However, in the second half of 2010, the New Zealand economy experienced a technical recession (two quarters of negative real GDP growth).

Real GDP growth bounced back in 2011, growing 2.6% over the year despite a devastating earthquake in Canterbury in February. The lift in GDP growth was characterised by strong primary production and an improvement in services activity, offsetting the continued weakness in the construction sector. The Rugby World Cup in September and October provided a positive contribution to growth in the second half of the year.

Real GDP strengthened further at the beginning of 2012, growing 0.9% in the March quarter. The growth in activity was reasonably broad-based, including good pastoral growing conditions providing a boost to agricultural production and food processing.

However, growth in the middle of 2012 was weaker with GDP growth of 0.5% across both the June and September quarters, supported by activity in the construction sector. The Canterbury rebuild is expected to be a main driver of growth in the coming year, gaining momentum in the first half of 2013.

Canterbury Earthquakes

On 22 February 2011, the Canterbury region on the east coast of the South Island experienced a devastating 6.3-magnitude earthquake. A total of 181 people were killed; the second deadliest natural disaster in New Zealand history. This followed a 7.1-magnitude earthquake on 4 September 2010, in which there had been no casualties. The earthquakes (including subsequent aftershocks) caused wide-spread damage to buildings and infrastructure, in particular to the Central Business District (CBD) and eastern parts of the city.

The New Zealand Treasury estimates the damage from the earthquakes at around \$30 billion (14% of GDP), much of which is covered by private insurance (reinsured through overseas insurance companies) and the government-owned Earthquake Commission (EQC). Despite the significant amount of disruption caused by the earthquakes (in particular the February 2011 event), the clean-up and demolition operations helped minimise the immediate growth impact. Many businesses were able to relocate out of the badly-damaged CBD and keep trading. Primary and manufacturing production in the region was not significantly affected.

The Canterbury rebuild is expected to be a significant driver of economic growth over the next five to ten years with both the June and September 2012 quarter GDP outturns providing hard evidence of rebuilding activity. The pace of the rebuild over the medium term is uncertain, in part owing to uncertainty around capacity constraints.

Labour Market

The labour market has shown little improvement following the GFC with the unemployment rate sitting at 7.3% for the September quarter 2012. This follows a two-year period of volatility in the unemployment rate after it rose from a low of 3.5% in the December quarter 2007 to 6.9% in the December quarter 2009. The Canterbury earthquakes initially had a negative impact on the labour market, with employment falling 8.0% in the region in the year to September 2011. More recently, labour market statistics in Canterbury have strengthened with employment rising 2.9% in the year to September 2012. Excluding Canterbury, employment fell 0.4% over the same period, with the unemployment rate above the headline figure, at 7.6%.

The prices of the commodities that New Zealand exports were at record high levels in early 2011, after more than recovering the significant falls experienced during the GFC. The high commodity prices were widespread, including dairy products, meat and logs, owing to surging demand from China. The high commodity prices flowed through to a historically high terms of trade, as export prices rose much faster than import prices. The strong terms of trade have provided an offset to the weaker real economy, helping to boost nominal GDP. Since early 2011, global conditions have deteriorated; the terms of trade eased off their peak in the September quarter 2011, and continued to do so in the first half of 2012. Further moderation is expected to have occurred in the second half of 2012 but improvement is expected in 2013 as higher spot prices flow through to export prices.

Balance of Payments

External strength and a subdued domestic economy resulted in the current account and the net international investment position improving during the recovery from the GFC. The annual current account deficit fell from 8.8% of GDP in the December quarter 2008 to a low of 1.8% in the March quarter 2010. The narrowing of the current account deficit was helped by a positive balance on the goods account since the start of 2010, with goods exports outpacing goods imports. Net international liabilities fell from 84.6% of GDP in March 2009 to 66.7% in March 2011, owing to the smaller current account deficits, valuation changes and outstanding reinsurance claims related to the Canterbury earthquakes.

After the low of 1.8% in March 2010, the current account deficit widened to 4.7% in the September 2012 quarter, as the goods and investment income balances deteriorated, partly reflecting falling commodity prices and higher profit outflows from the banking sector. The current account deficit is expected to widen further over the medium term owing to increased imports for the Canterbury rebuild, as well as increasing debt servicing costs and higher profit outflows. New Zealand's net international liabilities increased from a trough of 66.7% of GDP in the March quarter 2011 to 71.2% of GDP in the September quarter and are expected to gradually rise further.

Exchange Rate

The Trade Weighted Index (TWI), a basket of exchange rates for New Zealand's major trading partners, began retreating from historically high levels in March 2008, as the market assessed monetary policy in New Zealand shifting towards a loosening bias and a weaker outlook for growth. The TWI fell 28% between February 2008 and February 2009, cushioning the economy from the global downturn.

As the outlook for global growth became more optimistic, the US dollar weakened and demand for commodities improved. As a result, the TWI appreciated rapidly from early 2009, rising from 52.3 in February to 66.5 in October, a 27% increase. High commodity prices, as well as a relatively strong economy, resulted in further increases in the TWI to 72.1 in August 2011, before retreating to around 68 in December as global risk aversion increased and commodity prices eased.

The TWI appreciated again in 2012, rising to 73.0 by April 2012, before declining to around 70.0 in the middle of the year as risks around the euro debt crisis escalated. Recently, commodity prices for New Zealand exports have started to recover and euro zone risks recede slightly, which saw the TWI appreciate to 74.3 in December 2012.

Inflation

Annual Consumer Price Index (CPI) inflation was comfortably within the Reserve Bank of New Zealand's (RBNZ) 1% to 3% target band in the two years following the GFC. Inflation increased significantly in the December quarter 2010 as an increase in the rate of goods and services tax (GST) from 12.5% to 15% on 1 October 2010 was passed on to consumers. The CPI rose 2.3% in the quarter, taking annual inflation to 4.0%, well above the target range. Inflation increased further during 2011, rising to 5.3% on an annual basis in June before falling to 1.8% in the year to December 2011 as the effect of the GST rate rise fell out of the calculation. Over 2012, CPI inflation continued to ease, falling 0.2% in the December 2012 quarter, which brought annual inflation down to 0.9%, a reflection of the strong New Zealand Dollar and falling commodity prices which have depressed tradable prices.

Outlook

In the December 2012 Half year Economic and Fiscal update (HyEFu), the New Zealand Treasury expected annual average growth in the economy to be 2.3% in the March 2013 year and 2.9% in the March 2014 year, driven mainly by the Canterbury rebuild and recovery in domestic demand. Recovering world demand, as well as still-high commodity prices, should also assist export growth, although this is dependent on the global outlook.

The performance of the global economy exceeded expectations in 2010 but then slowed significantly as public stimulus measures faded, natural disasters in Japan and Australia caused disruption and Europe sovereign-debt issues re-emerged. However, New Zealand's increasing exposure to the faster growing areas of the world, in particular Australia and Asia excluding Japan, resulted in exports holding up better than otherwise would have been expected. New Zealand trading partner growth is expected to have increased slightly in 2012, to hold up in 2013, and to pick up again in 2014. While private consumption is expected to pick up, spending is likely to remain subdued as households remain cautious. Investment is expected to grow strongly as the earthquake rebuild gets underway. The stimulus from the rebuild is expected to offset the impact of fiscal consolidation over the forecast period.

Monetary Policy

The focus of monetary policy is to maintain price stability. A Policy Targets Agreement between the Governor of the RBNZ and the Minister of Finance sets out the specific targets for maintaining price stability, while seeking to avoid unnecessary instability in output, interest rates and the exchange rate. The current Policy Targets Agreement, which was signed in September 2012 on the appointment of a new Governor, requires the Bank to maintain inflation in the range of 1% to 3% on average over the medium term, but with the additional requirement to "focus on keeping future average inflation near the 2% target midpoint".

Following the lowering of the OCR from 8.25% in mid-2008 to 2.5% in April 2009 in response to the international credit crisis, the RBNZ began increasing the OCR again as the economy began to recover. The OCR was increased to 3.0% in July 2010, before a cut of 50 basis points back to 2.5% as an "insurance cut" following the February 2011 Canterbury earthquake. Since then, a deteriorating global outlook has meant that interest rates have remained at 2.5%, with increases not expected until late 2013 as the Canterbury rebuild gets underway, creating some inflationary pressures.

Political Situation²

Form of Government

New Zealand is a sovereign state with a democratic parliamentary government based on the Westminster system. Its constitutional history dates back to the signing of the Treaty of Waitangi in 1840, when the indigenous Māori people ceded sovereignty over New Zealand to the British Queen. The New Zealand Constitution Act 1852 provided for the establishment of a Parliament with an elected House of Representatives. Universal suffrage was introduced in 1893. Like Canada and Australia, New Zealand has the British monarch as titular Head of State. The Queen is represented in New Zealand by the Governor-General, appointed by her on the advice of the New Zealand Government.

As in the United Kingdom, constitutional practice in New Zealand is an accumulation of convention, precedent and tradition, and there is no single document that can be termed the New Zealand constitution. The Constitution Act 1986, however, updated, clarified and brought together in one piece of legislation the most important constitutional provisions that had been enacted in various statutes. It provides for a legislative body, an executive and administrative structure and specific protection for the judiciary.

Legislative power is vested in Parliament, a unicameral body designated the House of Representatives. It currently has 121 members, who are elected for three-year terms through general elections at which all residents over 18 years of age are entitled to vote. Authority for raising revenue by taxation and for expenditure of public money must be granted by Parliament. Parliament also controls the Government by its power to pass a resolution of no confidence or to reject a government proposal made a matter of confidence, in which event the Government would be expected to resign.

The executive Government of New Zealand is carried out by the Executive Council. This is a formal body made up of the Cabinet and the Governor-General, who acts on the Cabinet's advice. The Cabinet itself consists of the Prime Minister and his/her Ministers, who must be chosen from among elected Members of Parliament. Each Minister supervises and is responsible for particular areas of government administration. Collectively, the Cabinet is responsible for all decisions of the Government.

As a result of a referendum held in conjunction with the 1993 election, New Zealand changed from a "First Past the Post" (FPP) system of electing Members of Parliament to a "Mixed Member Proportional" (MMP) system of proportional representation. MMP is similar to the German Federal system of election to the Lower House. Under MMP, the total number of seats each party has in Parliament is proportional to that party's share of the total list vote. Around half of all Members of Parliament are elected directly as electorate representatives as under the FPP system. The remaining members are chosen by the parties from party lists. This change was put in place for the 1996 election.

A referendum on the future of MMP was held in conjunction with the 2011 election. A majority of responses favoured the retention of MMP. An independent review of how MMP operates was held during 2012. The Government is currently considering its response to the review recommendations.

Following the general election in November 2011, eight political parties are represented in Parliament. The total number of seats stands at 121, an "overhang" of one seat, because the Māori Party won one more electoral seat than it was entitled to according to its share of the party vote overall. The National Party formed a minority Coalition Government after the election with support agreements with ACT, United Future and the Māori Party. The Honourable John Key, the Leader of the National Party, is Prime Minister and the Honourable Bill English, Deputy Leader of National, is Deputy Prime Minister.

² [www.treasury.govt.nz/Economic and Financial Overview 2013](http://www.treasury.govt.nz/Economic%20and%20Financial%20Overview%202013)

2. HR Challenges

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

- **Ensuring ongoing relevance for the HR function** as organisations strive to become more agile and increasingly automate HR processes. HR professionals need to demonstrate commercial acumen and understand key business drivers, capturing metrics to increase workplace capability and drive better productivity for NZ.
- **Increased focus on health and safety** in the workplace following the Pike River mining disaster with the creation of WorkSafe, a newly created dedicated government agency focused on reducing workplace fatalities and increasing workplace wellbeing.
- **The ongoing global war for talent** with specific focus in NZ on the rebuild of Christchurch following the 2011 earthquakes
- **Implementing people practices aligned to recent NZ legislation** which includes the Local Government Reform Act and the Employment Relations Amendment Bill

3. HRINZ Projects and Initiatives

Major areas of HRINZ activity include the following:

- Implementing the 2013-2015 strategic plan

1 Open minds to new thinking and solutions	2 Extend our reach to deliver successful people practice	3 Drive progress through business expertise
<p>What we will see when achieved:</p> <ul style="list-style-type: none"> ▪ World level thinking to understand different perspectives; ▪ Proactive involvement in issues (instead of just responding to issues identified by others); ▪ Expanded diversity of thought through branch networks, strategic alliances partnerships with other international associations; ▪ Driving and leading change with original thought e.g. research; ▪ Operating beyond transactional roles; ▪ Broadcasting best practice and key messages; ▪ Member services are delivered flexibly in a variety of ways. 	<p>What we will see when achieved:</p> <ul style="list-style-type: none"> ▪ We are the architect and the line managers are the owners; ▪ We are interested in working with anyone who manages people; ▪ Responsibility of line managers is reinforced and leadership capability increased; ▪ People practice competence is defined; ▪ All stages of the worker 'pipeline' line are influenced e.g. new professionals, migrants, schools, universities, senior practitioners, mature workers. 	<p>What we will see when achieved:</p> <ul style="list-style-type: none"> ▪ Our focus is 'outside-in' with the emphasis on customers and stakeholders; ▪ We deliver components of business success such as leadership development; ▪ Smart technology reduces transactional distractions; ▪ We speak the language of business by mastering business metrics and analytics.

- Establishing four new branches across NZ : Lower Hutt, Foveaux, Auckland South and Queenstown
- Online national mentoring programme introduced
- Competency review project completed and the new competency framework launched
- Development of a Continuous Professional Development initiative to continue to raise the profile of the HR profession in NZ.

Update on the HR Institute of New Zealand

BOARD OF DIRECTORS



Rachel Walker FHRINZ

National President
Member of Board

Real Life Role

General Manager
Delta Utility Services Ltd

Dunedin Based



Julia Stones AFHRINZ

National Vice President
Member of Board

Real Life Role

Principal
HR2Go

Auckland Based



Tony McKone AFHRINZ

Member of Board

Real Life Role

Independent Employment Relations Specialist

Wellington Based



Rowan Tonkin FHRINZ

Member of Board

Real Life Role

Chief HR Officer
Turners & Growers

Auckland Based



Leeanne Carson-Hughes AFHRINZ

Real Life Role

General Manager, Human Resources
ANZCO Foods

Christchurch Based



Noel Davie MHRINZ

Real Life Role
Executive Director
Strategic Pay Limited

Dunedin Based

**Huma Faruqi MHRINZ**

Real Life Role
GM Capability & Organisation Development
Z Energy Limited

Wellington Based

**Denise Hartley-Wilkins MHRINZ**

Real Life Role
Human Resources and Organisational Development Consultant
Shine People Consulting Ltd.

Nelson Based

NATIONAL OFFICE



Chief Executive
Beverley Main LHRINZ

Key Responsibilities

- Strategy and Leadership
- Financial Management Control of the Institute
- International and Strategic Alliances
- National Conference Programmes
- Representation - External
- Sponsorship, Marketing and Promotions
- Constitution
- Compliance
- Returning Officer

External Activities

- Member of the Industrial Relations Institute Advisory Board, VUW
 - Member of the Work & Labour Market Institute Advisory Board, AUT
-



Research and Education Manager

Brenda Tweedy MHRINZ

Key Responsibilities:

- Career & Education Enquiries
- HR Guides - Website
- HRINZ CareerLog
- Professional Membership Accreditation
- Grading Panel Administration
- Research Enquiries
- CPD
- Committee Secretariat
- Academic Branch Committee Secretariat



Membership Manager

Julie Harris

Key Responsibilities

- Membership Growth Strategy
- Membership Enquiries and Services
- Branch Assistance - Events and Enquiries
- Orientation Day and Branch Training
- Developing Tertiary Relationships
- Promotion of Scholarship and Student Ambassador Programme
- HRINZ Mentoring Programme



Membership Administrator

Saasha Everiss

Key Responsibilities

- New Members
- Membership Enquiries
- Membership Database
- Committee Elections
- Surveys
- Branch Resources



Communications Co-ordinator

Gabrielle Cus

Key Responsibilities

- Inbound and outbound communications
- Event Communications
- HRINZ Publications
- Brand Management
- Social Media & PR/Media Enquiries



Office Administrator
Tracey Cheesman

Key Responsibilities

- Branch Liaison & Event Assistance
- Office Administration
- Event Management Support
- Advertising Enquiries
- Email Communications
- Website Help Desk



Accountant
Vanessa McMahon

Key Responsibilities

- Financial Accountant
- National Office and Branch Accounts
- Debtors and Creditors
- In-house Accounting Systems
- Audit Preparation
- Financial Compliance
- Budget



Executive Assistant
Lysa Foster-Brown

Key Responsibilities

- Assisting Chief Executive
- National Conference Support
- HRINZ HR Awards Support
- Event Management Support
- Meeting Preparations
- Accounts Assistance



Events and Sponsorship Manager
Emily Byrne

Key Responsibilities

- National Professional Development Programme
 - HRINZ Conference & HR Expo
 - HRINZ Nine to 5 Conferences
 - HRINZ HR Awards
 - Sponsorship
-



Auckland Branch Contractor
Jayne Richardson

Key Responsibilities

- Auckland Branch Event Registrations
 - Auckland Branch Event Co-ordination
-



Canterbury Branch Contractor
Petra Bulandova

Key Responsibilities

- Canterbury Branch Event Registrations
 - Canterbury Branch Event Co-ordination
-

4. Scheduled Conferences

- National conference 19-21 August with Professor Dave Ulrich as the keynote speaker
- 925, a series of one day conferences held in Auckland, Wellington and Christchurch

Julia Stones
National Vice President
HR Institute of New Zealand (HRINZ)