



active investment management

Presentation to
ITF Conference: Investing in Skills and Productivity
Regional Approaches to Skill Development & Productivity

Bevan Graham (Chief Economist)
23 July 2008

Topics For Discussion



- Productivity: Some core assumptions
- Getting the environment right, and understanding what happens next?
- Some recent history
- A word about Immigration
- Taking a longer term approach
- What are the factors that matter?
- What's happening in the regions?
- What could happen in the regions?
- How do we make this happen?
- Where to from here?
- Final points

Productivity: Some core assumptions



- Higher productivity is better than lower productivity.
- Government can't legislate for higher productivity.
- Higher productivity ultimately has to happen in firms.
- Firms live in regions and local communities.

Getting the environment right

...and understanding what happens next



active investment management

- At a macro level – it's about creating the right environment for higher productivity to occur in the firms that want to achieve it (usually without knowing it!!)
- What's the “transmission mechanism” that takes us from the right environment to measured gains in productivity at the firm level?
- To be more precise: WHAT ARE WE DOING AND WHO IS DOING IT?

Some recent history



- Very strong economic growth
- Growth supported by higher labour utilisation
- Exacerbated low trend productivity to create Very high labour participation rates and very low unemployment rates
- Skill and then labour shortages emerged
- Resulted in significant domestic inflationary pressures and continued tightening in monetary policy so that the OCR reached its highest level since its inception
- In short – growth was no longer sustainable.

A word about Immigration



- Skills shortages led to “clarion calls” for more Immigration
- Immigration is the short term answer to the immediate need
- But Immigration does not help productivity: it exacerbates the using-more-people-to-do-the-work problem
- Does not lead to the step-change in productivity we are looking for

Taking a longer term approach



Two other factor matter....

- Skills Development
- Thinking about what we have to DO to achieve higher productivity

What are the factors that matter?



From the Workplace Productivity Working Group:

- Building leadership and management
- Organising work
- Network and collaborating
- Investing in your people and their skills
- Encouraging innovation and using technology to get ahead
- Creating productive workplace culture
- Measuring what matter

What's happening in the regions?



- Lots of activity
- That activity is becoming increasingly focussed by the development of Regional Labour Market Strategies
- Those activities are broadening out from a focus on immigration

What's happening in the regions?



- EDAs becoming (and should increasingly become) a central point for focussing on the things that matter and co-ordination of effort, especially between players at the regional and local level and the regional representatives of the central government agencies
- Sharing of knowledge and having conversations...
- Networking and sharing of good ideas...
- Facilitation...
- And all of the above WITH THE BUSINESS COMMUNITY!!!

What's happening in the regions?



- (Cross border) Regional innovation systems – linking the parts of the innovation system
- Including BUSINESS!!!!!!
- Schools...tertiary providers...science institutions...business community...
- The important conversations: What skills do we need and by when???

What's happening in the regions?



- Delivery of “tools of the trade” of entrepreneurship, management, leadership
- Co-ordination point for training, engagement in new initiatives (Management Focus), access to tools (Workplace Productivity Toolkit, business diagnostic tools) – and how to use them!!
- Helps the collaboration/networking/sharing effort...

What could happen in the regions?



- Better linking regional priorities with national priorities
- UNDERSTANDING PRODUCTIVITY,,,and how to get some
- Regional Labour Market Strategies need to be an integrated part of broader Regional Economic Development Strategy
- Create a “seamless whole”
- Better use the resources already committed

How do we make this happen?



- Conversations
- Co-ordination
- Alignment
- Vertically and horizontally
- Better/stronger engagement with firms...having the conversations that matter

Where to from here?



- Where is the next wave of growth going to come from
- Ability of labour market to respond
- Needs must? Maybe we get higher productivity just because of TINA...??
- Maybe firms won't even know they're doing it
- Even more important that the environment is right:
 - Regulatory environment
 - Industrial relations
 - Innovation system and links to business
 - Our ability to commercialise those innovations (entrepreneurship)
 - Infrastructure

Final Points



- Economic development and achieving higher productivity is not just about the money
- The “softer” bits are just as important – if not more so
- Economy’s evolve...we’re just trying to speed up the evolution
- It’s ultimately in the hands of business managers and leaders.....and their aspirations

Disclaimer



This publication has been prepared by Arcus Investment Management Limited (“Arcus”) on the basis that no part of it will be reproduced, altered in any way, transmitted to, copied to or distributed to any other person without the prior express permission of Arcus.

The investment views in this publication do not constitute specific advice (whether of an investment, legal, tax, accounting or other nature) to any person. The information has been published in good faith and has been obtained from sources believed to be reliable and accurate at the time of preparation.

The opinions contained in this document reflect a judgment at the date of publication by Arcus and are subject to change without notice. Neither Arcus, Assure Funds Management Limited, any member of the global AXA Group or other persons involved in this publication accepts any liability for any loss or damage whatsoever that may directly or indirectly result from any opinion, information, representation or omission, whether negligent or otherwise, contained herein.

Please note that past performance is no guarantee of future returns or trends.