

The economic challenges of the future. How should Social Democrats respond?

Labour Summer School, Wainuiomata, 26 January 2013

Bill Rosenberg
Policy Director/Economist
N Z Council of Trade Unions



NEW ZEALAND COUNCIL OF TRADE UNIONS

Regulatory failure

- A finance sector that lost investors and taxpayers billions of dollars through its own incompetence, irresponsibility and fraud
- A building regulation system that has on some estimates cost the country a comparable amount to the Christchurch earthquakes in leaking buildings.

Regulatory failure

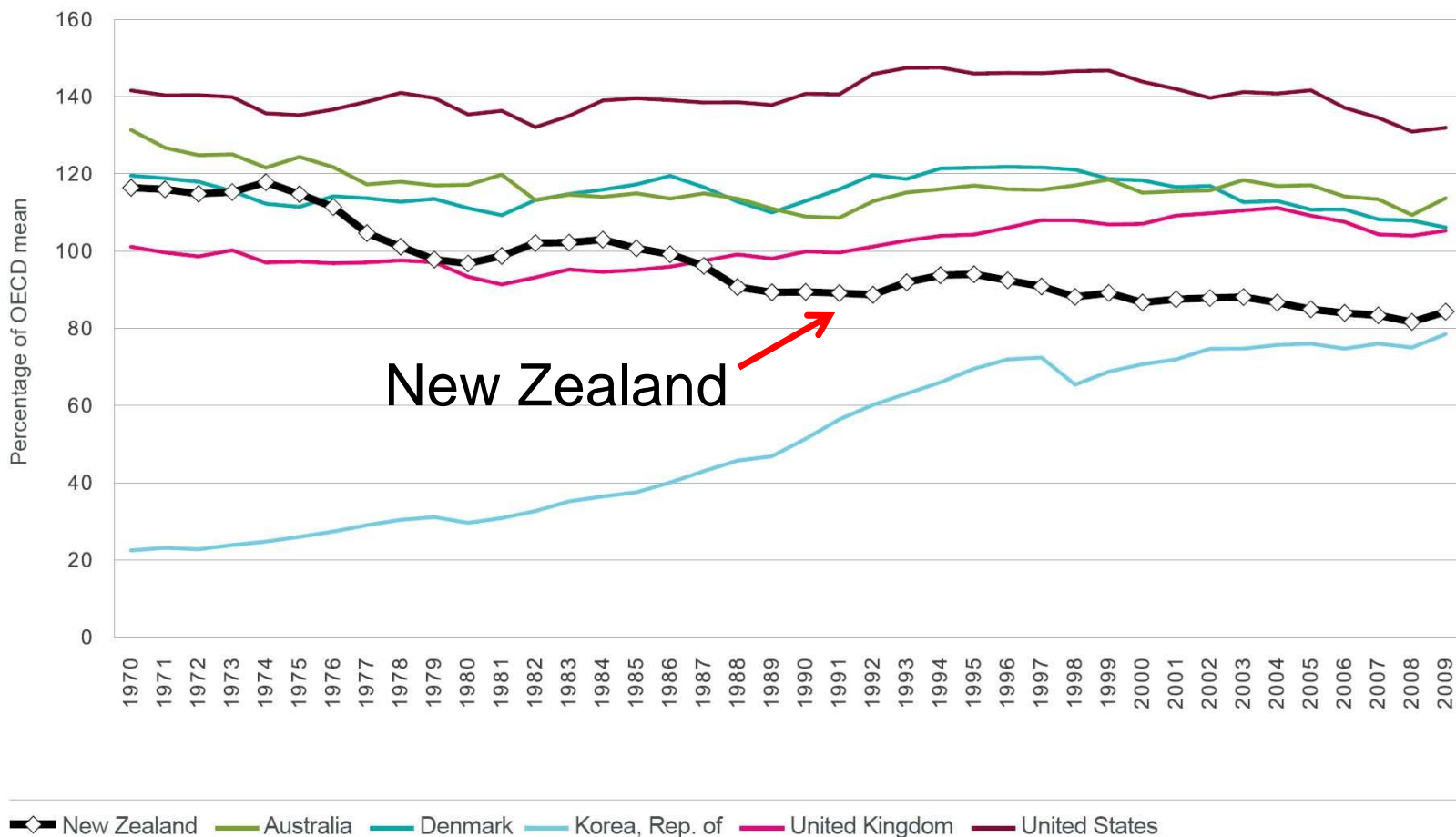
- A vocational training system that left us with a long term skills deficit as employers failed to take up the responsibility to train their workers
- Workplaces which, compared to fatality rates in better regulated countries like Australia and the U.K., have killed 500-800 more people from injuries in the last decade alone, and possibly 7 to 10 times that number from occupational disease
- A wages system that saw wage rates fall far behind labour productivity increases.

Our growth has fallen behind the rest of the OECD

FIG

1.5

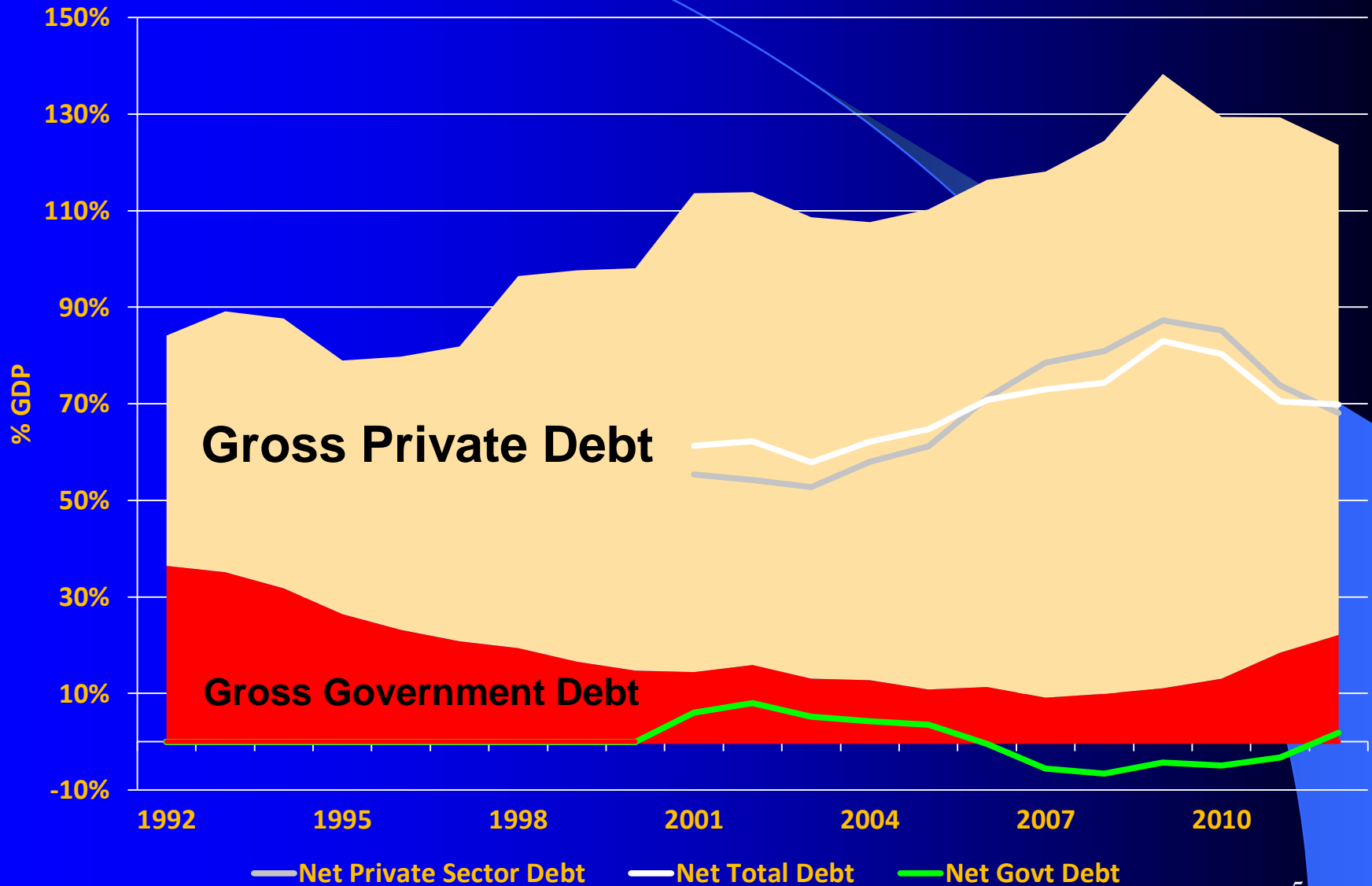
Nominal GDP per capita as a percentage of the OECD mean (US\$ and PPPs)



Source: OECD Factbook 2010, GDP per capita

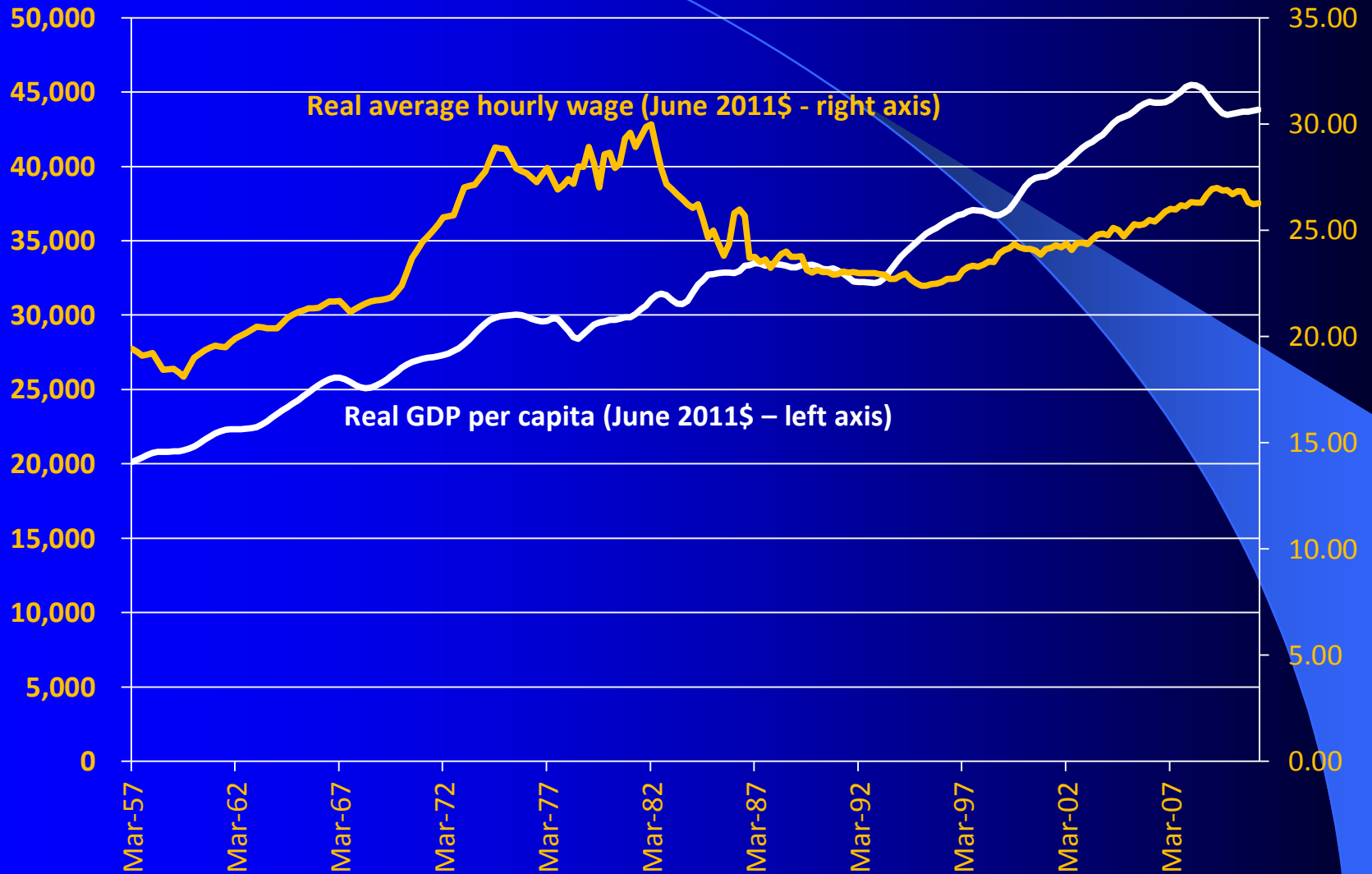
Published in Economic Development Indicators 2011

Overseas Debt as percent of GDP 1992-2012

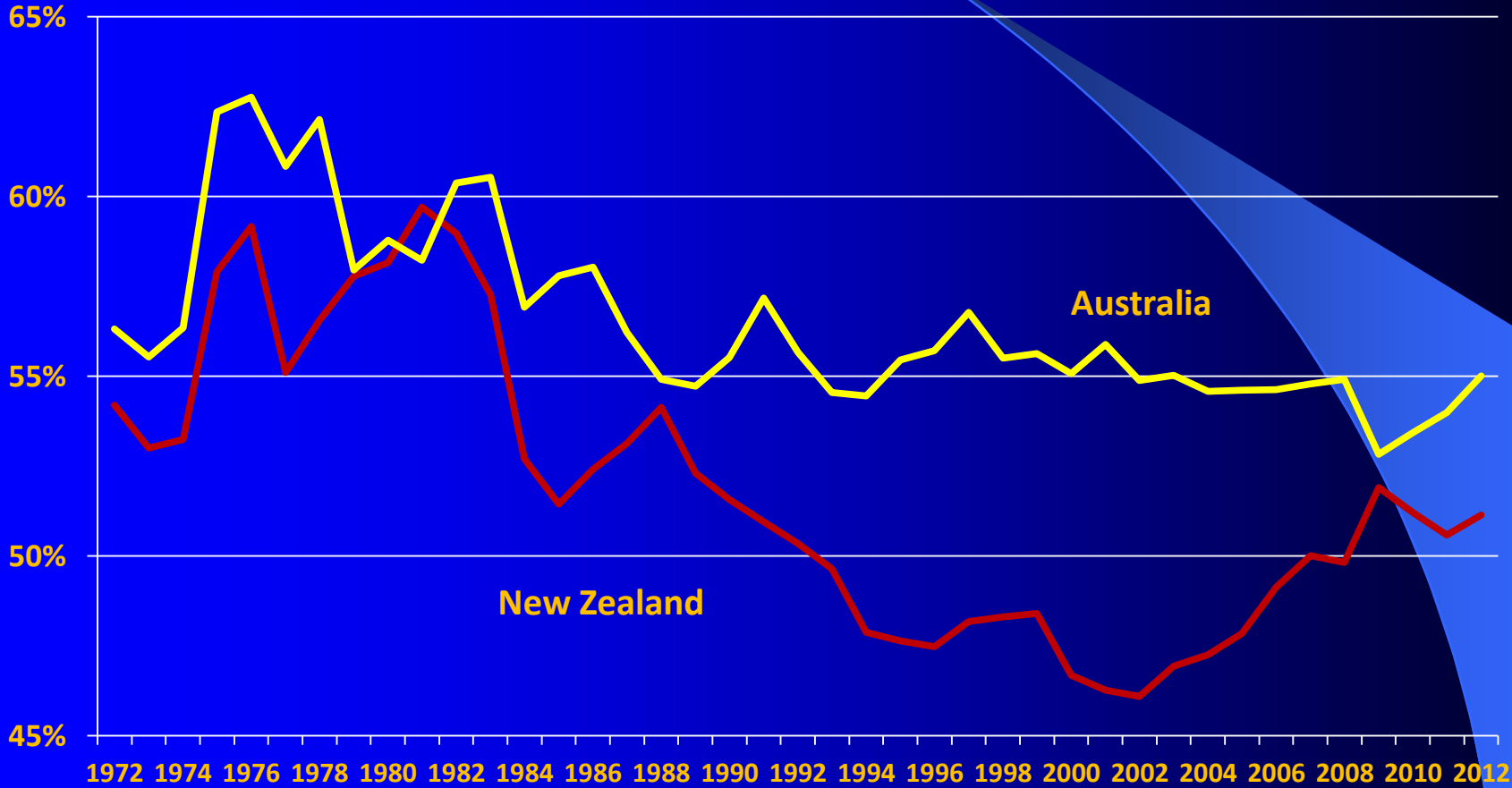


Real wage and GDP per capita since 1957

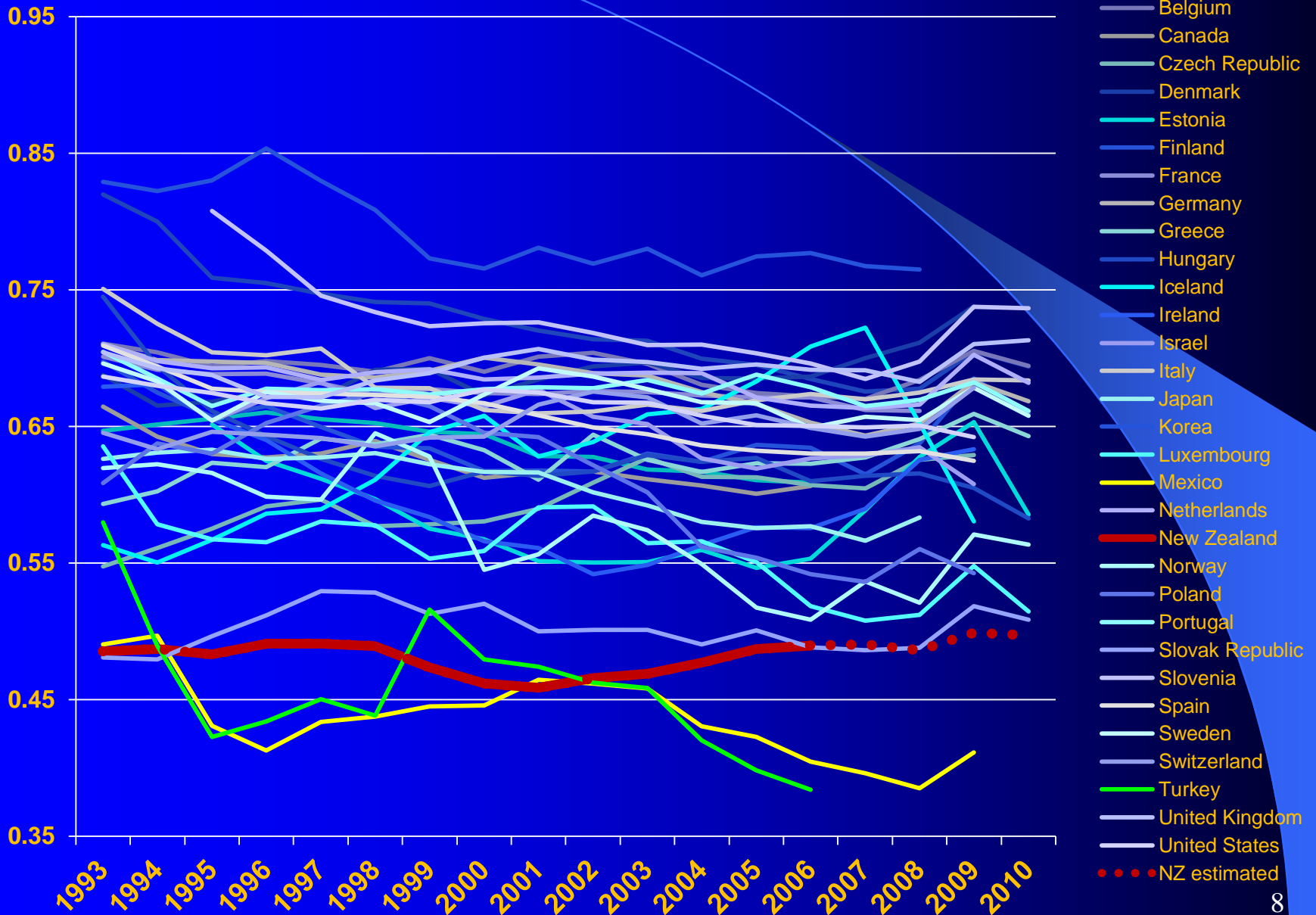
Data source: : "The New Zealand Economy: An Introduction" by Ralph Lattimore & Shamubeel Eaqub



Labour share of income in Australia and New Zealand



Labour share in the OECD

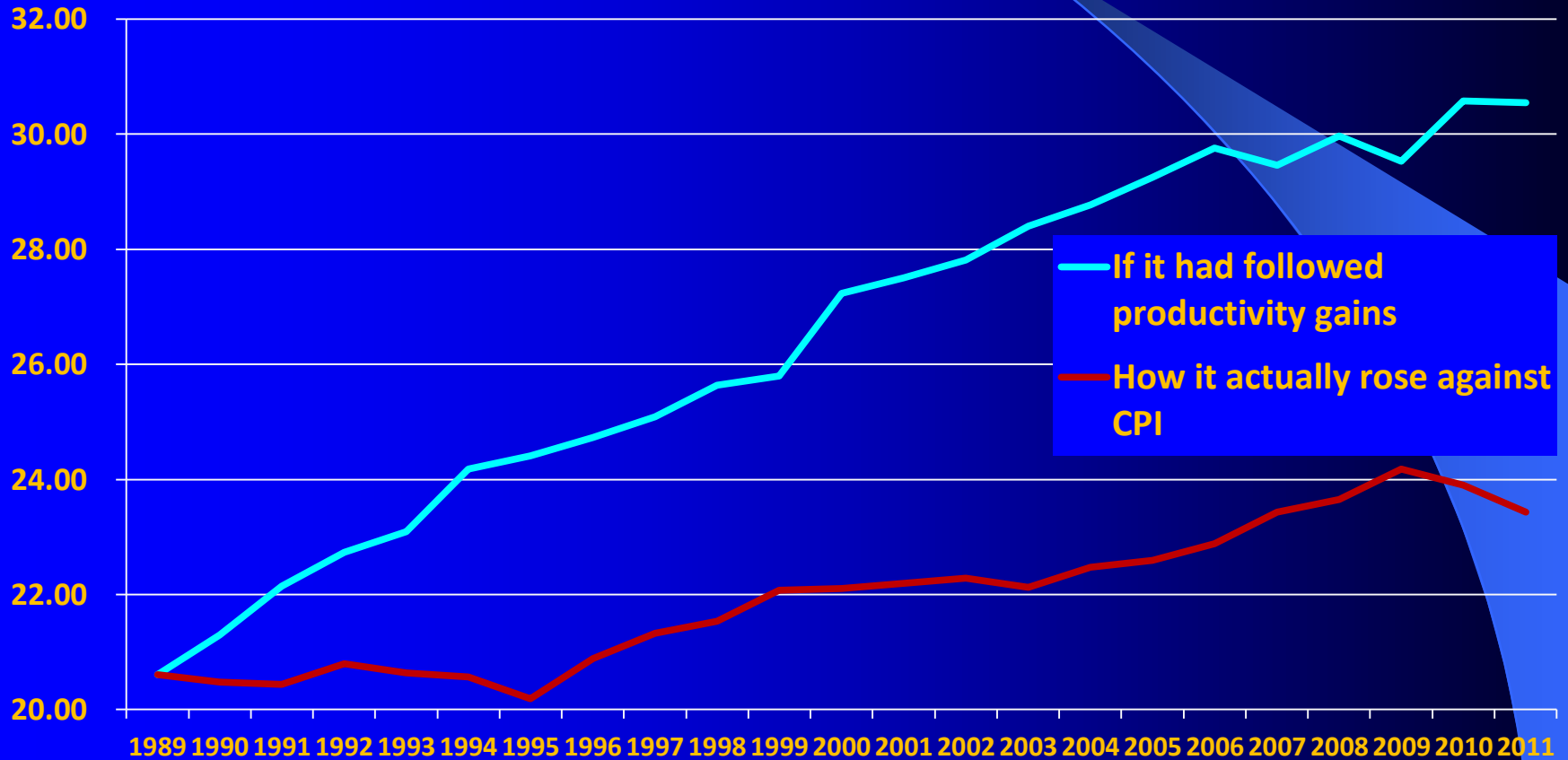


Real Average Hourly Wage

How it rose compared to how it would have risen if it had shared the productivity gains

1989-2011

Average total hourly wage in June 2010 dollars, measured sector



Government and development

- Structural change, like economic growth itself, is not an automatic process. It needs a nudge in the appropriate direction, especially when a country has a strong comparative advantage in natural resources.

Dani Rodrik, Professor of Economics,
Harvard University

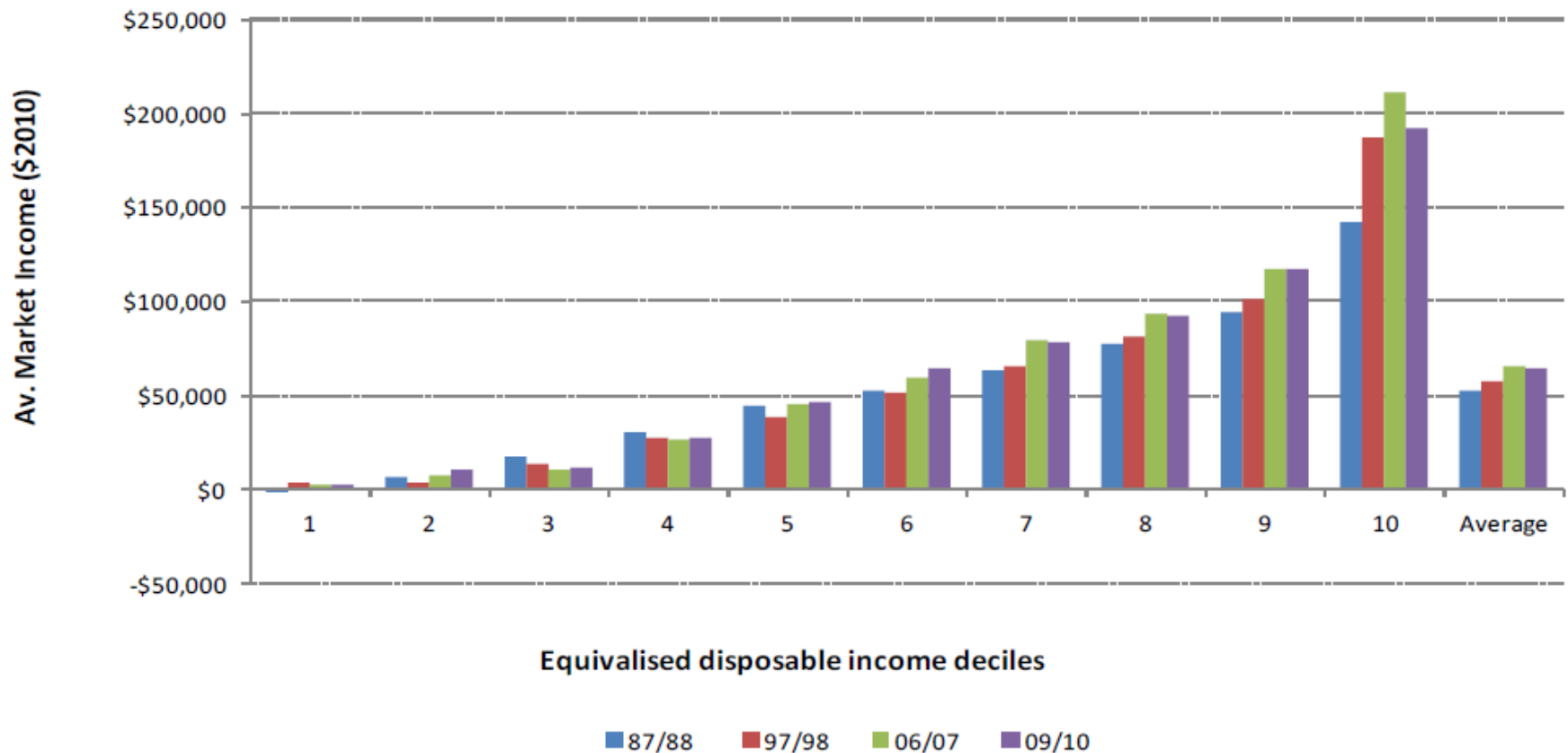
Thank you



NEW ZEALAND COUNCIL OF TRADE UNIONS

1988-2010 lowest half of household market incomes didn't rise in real terms

Figure 2: Average household market income by decile (\$2010)



From: "Fiscal Incidence in New Zealand: The Distributional Effect of Government Expenditure and Taxation on Household Income, 1988 to 2010", Treasury, June 2012.