

Chair
Cabinet Policy Committee

IMPLEMENTATION OF THE WORKPLACE PRODUCTIVITY AGENDA: PROGRESS REPORT TO 30 JUNE 2005

Introduction/Purpose

- 1 This paper:
 - a sets out the achievements to 30 June 2005 of the Workplace Productivity Reference Group as against the expectations set by Cabinet in November 2004;
 - b seeks your agreement to extend the term of the Workplace Productivity Reference Group to 30 June 2006;
 - c seeks your agreement to extend the Workplace Productivity Agenda to core government agencies, as recommended by the Workplace Productivity Reference Group;
 - d sets out the future work programme of the Workplace Productivity Reference Group as it seeks to further implement the Workplace Productivity Agenda in 2005/06;
 - e sets out the method for the possible extension of the Workplace Productivity Reference Group into the 2006/07 year.

Background

- 2 In August 2004, the Workplace Productivity Working Group reported to the Ministerial Reference Group on Workplace Productivity (then the Minister of Labour [Chair], Minister of Finance and the Minister of Economic Development¹). The report set out the drivers of workplace productivity, the need for shared responsibility among industry, firms, unions and government for improving workplace productivity, and made 67 detailed recommendations to improve workplace productivity.
- 3 The Government's response to the Working Group report included formally adopting the Workplace Productivity Agenda (POL Min (04) 28/5.5 refers). To support the Agenda, the Secretary of Labour established a Workplace Productivity Reference Group (The Reference Group) Terms of Reference for the Reference Group, approved by the Cabinet Policy Committee (POL Min (04) 28/5.5 refers), allowed for an initial term of appointment from 1 January 2005 to 30 June 2005, with a possible extension until 30 June 2006.

¹ The Minister of Research, Science and Technology, and the Minister for Social Development and Employment were subsequently added to the Ministerial Reference Group.

- 4 The Terms of Reference for the Reference Group set an expectation that the Agenda would deliver concrete actions with demonstrable impacts on workplace productivity over the short to medium term (by 30 June 2005), while also providing a foundation to prioritise further actions over the medium to longer term (in the first instance between 1 July 2005 and 30 June 2006). Cabinet invited the Ministerial Reference Group to report to the Cabinet Economic Development Committee on this by 31 July 2005. This paper to the Cabinet Policy Committee, agreed to by all Ministers who are part of the Ministerial Reference Group, constitutes that report.
- 5 A complete stock take of all activities of the Reference Group against the original recommendations of the Working Group has been compiled. Most of the recommendations are being progressed as part of the Government's wider work programme, in particular, as part of the Growth and Innovation Framework (of which the Agenda is a component), or have been included in the 2005/06 work plan for further progression.
- 6 Productivity remains a key issue for the Government, as was pointed out in the recent OECD economic survey of New Zealand². The majority of New Zealand's economic growth over the last five years has been driven by more people working more hours. However, labour productivity has only risen by an average of 1.5% per annum over the same period which is at a level below the international average. Productivity increases are, therefore, vital to New Zealand's future growth.
- 7 The OECD report confirms that while our capital and labour markets generally have worked well, a key policy challenge that remains is the need to improve productivity growth. The OECD notes that there is no single explanation for our historical lag in productivity performance, and identifies a wide range of policy areas (including, but not limited to the labour market) that could potentially have an impact on this. This is consistent with the positioning of the Agenda within the wider Growth and Innovation Framework, as the Government's overall economic development strategy³.
- 8 In addition to the complex issues that impact on productivity, the OECD report notes that shifts in performance take place over a period of time, and that there may be lags between actual improvements and a visible sign of these. To a very large extent sustained effort over a period of years is likely to be needed to achieve lasting improvements in productivity.

Achievements to date

- 9 The Reference Group has made good progress in a short time frame with a focus on raising awareness of workplace productivity issues. Key actions undertaken in the first six months (1 January 2005 to 30 June 2005) have included:
 - a The Reference Group was established and agreed on a Work Plan for the first six months (1 January 2005 to 30 June 2005). Strong ownership of the Agenda by business and union groups has developed and all have an evident commitment to implementation.

² OECD Economic Surveys : New Zealand, July 2005

³ This is put into practical effect by the Workplace Productivity Reference Group and the Growth and Innovation Advisory Board, by each having a common understanding of each others work programmes and how these complement each other.

- b Momentum has been built around the Agenda, which is expected to be maintained throughout the year. The Minister of Labour has undertaken a series of awareness raising events with union and business audiences. NZCTU and business networks are planning and carrying out awareness raising activities with their constituent groups.
 - i Charles Finny, CEO of Wellington Chambers of Commerce, presented on workplace productivity to CEOs from Marlborough, Taranaki, Wanganui, Hawkes Bay, Manawatu, Upper Hutt, Kapiti, Auckland, Canterbury and Otago in March 2005. The Wellington Chambers has developed a proposal for a regional road show around productivity issues, which will be piloted around the region between July and September this year. If this pilot is successful it will be rolled out in Auckland and Otago regions.
 - ii NZCTU has been developing a proposal for a workplace productivity education programme. NZCTU has also discussed the issue of workplace productivity at National Affiliates Council meetings during 2005.
 - iii Workplace productivity was on the agenda for discussion at the Business New Zealand strategy meeting held in Christchurch in February 2005.
 - iv EMA Northern has held an awareness raising conference in Auckland (May 2005).
- c Nine new case studies of workplace productivity initiatives within firms have been completed. The process of turning these into communications material and demonstration projects has started. These complement the existing material from 7 case study workplaces, which have been well received. Additional workplaces are also being approached to provide a more diverse range of case studies. The case studies are important as a tool to show businesses how workplace productivity improvements can be achieved and the types of positive impacts that they have.
- d A diagnostic tool has been developed to help raise awareness within small businesses of what workplace productivity is. This tool allows businesses to assess themselves against the seven drivers of workplace productivity and provides suggestions for performance improvements. The tool has been approved by the Reference Group for consumer testing in July 2005.
- e A survey of baseline awareness has been developed to assess current employer knowledge and understanding of workplace productivity issues. The pilot survey has been completed and initial data collection is taking place during July 2005. The survey will be repeated in the future to measure changing levels of awareness of workplace productivity.
- f Further achievements related to the Agenda are being made through existing government projects being undertaken as part of the Growth and Innovation Framework. Examples of these are Project Collaboration (focussed on enhancement of services to build management and business capability) and No Wrong Doors (working to ensure improved accessibility of government services).

2005/06 Work Plan

- 10 The Ministerial Reference Group has approved a work plan for the Reference Group to further deliver on the Agenda between 1 July 2005 and 30 June 2006 (attached as Appendix One) together with funding to support this.⁴ We seek your agreement to allow the Secretary of Labour to extend the term of the Reference Group to 30 June 2006 in order to implement the work plan. Key features of the work plan include:
- a Following on from the success of the workshops held with business people in 2004 before the recommendations of the working group were released, a high profile event “Better Workplaces” will be held around March/April 2006. This will bring together productivity practitioners and business leaders and result in:
 - i a larger constituency of participants actively engaged in the implementation of the Agenda and the dissemination of learnings from the event;
 - ii improved uptake by New Zealand enterprises of international best practice;
 - iii a better understanding by participants of the nature and scale of the productivity challenge to New Zealand;
 - iv practical feedback on the best ways to improve the organisation of work and create productive workplace cultures.
 - b The event will comprise a one and a half day working session of experienced productivity practitioners who will identify the workplace productivity requirements of New Zealand businesses and design a work plan for addressing these requirements.
 - c The practitioners would be joined on the final day by up to 50 selected business and industry leaders who will provide input on the outcomes developed by the productivity practitioners. These 50 leaders will then be in a position to promote workplace productivity to the wider business community.
 - d The Better Workplaces event has the support of the Reference Group as the logical next step in identifying firm level actions to increase workplace productivity.
 - e Events and regional road shows will be sponsored by Business New Zealand and Chambers of Commerce to promote workplace productivity. The Chambers of Commerce road show will commence in the Wellington region in July 2005, with further roll-out across the country later in the year.

⁴ POL (POL Min (04) 28/5/5) provides authorisation for the Ministerial Reference Group to approve the draw down of these funds.

- f An education programme is being developed by the NZCTU to engage workers in workplace productivity issues and introduce the 7 drivers. It will be rolled out over the next three years.
- g A diagnostic tool to assist businesses in assessing their workplace practices in relation to the seven drivers has been developed, in collaboration with Business NZ and the NZCTU. It is being piloted in workplaces during July 2005 and it is anticipated that the tool will be distributed by the Department of Labour, NZCTU, Chambers of Commerce and Business New Zealand from August 2005.
- h Additional diagnostic tools will be developed around work organisation and productive workplace cultures (two of the seven drivers of workplace productivity). The other five drivers will be addressed through the development of holistic diagnostic tools covering the business life-cycle by Project Collaboration.
- i Following Tripartite Forum discussions on 2 June 2005, which I attended, a programme of work is being developed around improving productivity in the public sector at the initiative of the PSA, Department of Labour and the State Services Commission. I have also discussed with State Owned Enterprises' Chief Executives how they might adopt the Agenda to stimulate productivity improvements in their workplaces and will take this up again at a later date.

Reference Group Composition and Membership

- 11 The Reference Group currently includes representatives from unions, business and employer networks, individual businesses, the Growth and Innovation Advisory Board and the Small Business Advisory Group (see Appendix Two). It is currently operating very effectively, in large part reflecting the strong commitment of the NZCTU, Business NZ and the Chambers of Commerce to the implementation of the Agenda. There do, however, remain gaps in representation as there are no representatives of Maori business, the service sector or the state sector and there remains a gender imbalance on the Reference Group.
- 12 The Reference Group has discussed its composition and would like to address some of these gaps, without the Group becoming too large.
- 13 The Ministerial Reference Group recommends that the Minister of Labour and the Secretary of Labour discuss further the possibility of additional appointments to the Group to address the gaps identified above.
- 14 The Reference Group has also recommended that the Agenda be extended to include core government agencies.
- 15 The main focus of the Agenda has always been and will continue to be, increasing productivity in private sector workplaces. However, the workplace focus of the Agenda has as much relevance for the public sector as for the private sector and the Secretary of Labour will be inviting the SSC and the PSA to become members of the Reference Group.

- 16 The Agenda will contribute to improving workplace productivity in government agencies, but this is only one component of the drive to improve overall public sector productivity and performance. Ministers and central agencies have a much broader and direct role in achieving improvements in public sector productivity, given the Government's role as employer and purchaser.

Future reporting

17 DELETED

- 18 I will report back to the Cabinet Policy Committee, on behalf of the Ministerial Reference Group by 31 July 2006. The report back will assess the achievements of the Reference Group for the 2005/06 year against the agreed work plan. The report will also recommend whether the term of the Reference Group should be extended to 30 June 2007, or whether there is a more appropriate method of delivering the Agenda.
- 19 The report back will also provide an agreed work plan for the 2006/07 year and a budget to deliver that work plan.

Evaluating the impact of the Workplace Productivity Agenda

- 20 The initial focus of the Agenda has been on developing ownership of the Agenda by business and union groups, getting agreement on initiatives for the 2005/06 year and establishing baseline information on current awareness of workplace productivity. The focus has not been on evaluating the impact of the Agenda on workplace productivity during its first six months.
- 21 During the next 12 months, and in the longer term, there will be a strong focus on measurement and evaluation. Work is currently underway to provide information that will allow an informed assessment of the extent to which the Agenda has raised awareness of productivity as a workplace issue, and more substantively, whether workplace practices are changing over time. This includes:
- a As noted above, a survey of the current levels of employer awareness of workplace productivity and the actions being taken to improve it is being carried out with 1200 employers during July. This will be followed up later in the year with an employee survey. Both surveys will be repeated in future to measure changing levels of awareness of workplace productivity.
 - b In August 2005 the Business Operations survey, conducted by Statistics NZ, will provide data on employer perceptions of productivity, and workplace practices associated with improved productivity. The Department of Labour and the Ministry of Economic Development are proposing an additional module to the survey in 2006 which would gather even more detailed data in these areas. This is a larger survey which selected businesses must fill in.

- 22 There will also be a focus on evaluating what is achieved by specific activities delivered through the 2005/06 work plan. This will include evaluation of the Better Workplaces Event, events and road shows sponsored by Business NZ and Chambers of Commerce, and the effectiveness of the tool that has been developed to help raise awareness within small businesses of what workplace productivity is.
- 23 Evaluating the success of the Agenda in delivering demonstrable impacts on workplace productivity will need to take place over the longer term for two reasons. Firstly, as noted earlier, available evidence suggests that there are some lags between actual, and measured performance. Accordingly, improvements in productivity indicators in individual workplaces could potentially take several years to have an impact on national aggregate figures.
- 24 Secondly, the impact of the Agenda will be felt primarily in relation to workplace practices. An expected outcome of the implementation of the Agenda will be an increase in the number and range of workplaces adopting improved labour management practices in relation to the seven drivers of workplace productivity. A wide range of external factors, however, also impact on national and aggregate productivity indicators. The relative impact of workplace factors (as opposed to factors outside the control of the workplace) in stimulating productivity growth will be a key aspect of the workplace productivity research and evaluation agenda over the next 2-3 years.

Cabinet Paper Requirements

Consultation

- 25 The Treasury, the Department of Prime Minister and Cabinet, the State Services Commission, the Ministry of Economic Development the Ministry of Research Science and Technology, New Zealand Trade and Enterprise, the Department of Labour and the Growth and Innovation Advisory Board Secretariat have been consulted during the preparation of this paper.
- 26 The Ministries of Education, Women's Affairs, Pacific Island Affairs and Te Puni Kokiri have been informed of the contents of this paper.

Financial implications

- 27 **DELETED**

Human rights

28 This paper has no human rights implications.

Legislative implications

29 This paper has no legislative implications.

Regulatory impact and business compliance cost statements

30 Not required.

Gender implications

31 This paper has no gender implications.

Publicity

32 This paper has no publicity implications apart from those awareness raising activities associated with implementation of the Workplace Productivity Agenda.

Recommendations

I recommend that the Cabinet Policy Committee:

- 1 **Note** that the Terms of Reference for the Workplace Productivity Reference Group that were approved by POL (POL Min (04) 28/5/5 refers) allow for an initial term of appointment to 30 June 2005, with a possible extension until 30 June 2006.
- 2 **Note** that the Ministerial Reference Group has approved a work plan for the Workplace Productivity Reference Group to further deliver on the Agenda between 1 July 2005 and 30 June 2006 (attached as Appendix One) together with funding.
- 3 **Approve** the Secretary of Labour extending the term of appointment of the Workplace Productivity Reference Group to 30 June 2006.
- 4 **Note** that the Workplace Productivity Reference Group currently has gaps in representation.
- 5 **Note** that the Minister of Labour and the Secretary of Labour will discuss the possibility of additional appointments to the Workplace Productivity Reference Group to address these gaps.
- 6 **Agree** that the Workplace Productivity Agenda be extended to core government agencies, as recommended by the Workplace Productivity Reference Group.
- 7 **Note** that the Ministerial Reference Group has approved the following changes in appropriations to enable the delivery of the Workplace Productivity Agenda, with no impact on the operating balance:

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- 8 **Note** that the changes in appropriations for 2005/06 above will be included in the 2005/06 Supplementary Estimates and that in the interim these expenses will be met from Imprest Supply.

- 9 **Note** that the funding outlined above is a call against the 2005 GIF Contingency.
- 10 **Agree** that the Minister of Labour, on behalf of the Ministerial Reference Group, report back to Cabinet Policy Committee by 31 July 2006 on the achievements of the Workplace Productivity Reference Group for the 2005/06 year against the agreed work plan (set out in Appendix One).
- 11 **Agree** that the report from the Minister of Labour will also provide a recommendation from the Ministerial Reference Group on whether the term of the Workplace Productivity Reference Group should be extended to 30 June 2007, or whether there is a more appropriate method of delivering on the Workplace Productivity Agenda.
- 12 **Note** that the report will also include an agreed work plan to implement the Workplace Productivity Agenda (whether that involves the Workplace Productivity Reference Group or some other method of progressing the Agenda) and a budget to deliver that work plan.

Hon Paul Swain
Minister of Labour
On behalf of Workplace Productivity Ministerial Reference Group

APPENDIX ONE

WORKPLACE PRODUCTIVITY REFERENCE GROUP WORK PLAN: ACTIVITIES FOR 2005/06

- 1 Implementation of the Workplace Productivity Agenda is still at an early stage, and the four action areas of awareness raising, development of diagnostic tools, implementation and research and evaluation are still needed. Specific activities to be carried out in 2005/06 are set out below:

Awareness raising activities and communications materials

- 2 Events and regional road shows will be sponsored by Business NZ and Chambers of Commerce to promote workplace productivity.
- 3 An Education programme will be developed by the NZCTU to engage workers in workplace productivity introduce the 7 drivers and create the basis for worker contribution (knowledge and skills) to productivity improvements.
- 4 An Events Calendar will be produced to identify other conferences and activities (e.g. by industry networks, business awards) with a view to establishing a profile for workplace productivity (e.g. speeches at conferences by Reference Group members, sponsoring of awards related to productivity improvements, development of industry role models to take leadership of awareness raising around productivity).
- 5 Additional video clips will be produced, sponsored by the Reference Group, which show case the experiences of a diverse range of workplaces in adopting practices related to the workplace productivity drivers. These clips will be able to be played in CD and DVD formats, and streamed over the internet.
- 6 Communications resource materials (in the form of brochures, fact sheets, and Q&A material) will be produced to provide educative and information material for wide distribution.
- 7 The Department of Labour web-site will be regularly updated (at least once a month) to include new communications resource materials and planned events. An email newsletter will also be developed for subscribers to the web-site.
- 8 Contact will be made with media, particularly specialist HR and business media to promote the issues. Targeted publications will be provided with material related to the Workplace Productivity Agenda.
- 9 Material will be produced for display stands at major conferences and events.
- 10 Data on levels of awareness of productivity issues will be re-assessed against baseline data to be collected in June 2005.

Tools

- 11 The diagnostic tool that has been developed for the Reference Group will be distributed through a wide range of distribution channels from August 2005.
- 12 A stock take of existing diagnostic tools, both in NZ and internationally, will be completed in collaboration with MED and NZTE, through Project Collaboration.

- 13 Additional tools will be developed for workplaces wanting to take further steps to improve productivity. In particular new tools will be developed to assist those workplaces wanting to assess their practices related to work organisation and creating productive workplace cultures.

Implementation and Capacity Building

- 14 An event (Better Workplaces) will be held to bring together industry network leaders, interested and leading companies and unions to create a focus and build some momentum around workplace productivity improvements.
- 15 At least three demonstration site events will be held, as business-to-business learning events, for workplaces to learn from each other about practices associated with improving productivity, and overcoming barriers in the process of change.
- 16 Existing industry engagement strategies (particularly in the Horticulture and Viticulture sectors and in Roding) will be extended to explore the potential for developing industry specific productivity action plans.
- 17 Existing networks (e.g. the Inside NZ networking initiative) will be identified to explore the potential for capability building around productivity.

Research and Evaluation

- 18 Linkages will be made with international productivity organisations and agencies undertaking work in the area of workplace productivity; to ensure that the activities being undertaken in NZ reflect international best practice.
- 19 Lessons from the experiences of NZ workplaces will be analysed and disseminated through communications materials.
- 20 Linkages will be developed with NZ academics, government agencies and research institutes to establish a network of interested researchers.
- 21 Research will be commissioned to assist in understanding key issues (e.g. measuring productivity in service sector workplaces, characteristics of high performing workplaces, how the 7 drivers are viewed and being put into practice).
- 22 In addition to the specific activities identified above, there are three work areas which run across the four action areas. These are:
 - a Developing Productive Workplace Cultures: The GIAB research on *Smart Enterprises* will be adopted by the WPA RG from July 2005, and a stream of work developed that looks at the components of productive workplace cultures, and overcoming constraints and barriers to improving productivity.
 - b Improving Public Sector Productivity: The Reference Group has noted that productivity improvements in the public sector have the potential to both assist in improvements in private sector productivity, as well as contributing to overall aggregate productivity. The scope and design of this stream of work will be developed early in the 2005/06 year.
 - c Work organisation: The report of the Workplace Productivity Working Group made a number of recommendations on the organisation of work, and identified this as an area that is not well-developed or understood in

New Zealand. Work will be undertaken in 2005/06 to produce information on how work organisation affects workplace productivity; and tools to assist workplaces to make improvements in this area.

APPENDIX TWO

MEMBERSHIP OF THE WORKPLACE PRODUCTIVITY REFERENCE GROUP

Name	Position	Organisation
Ross Wilson	President	New Zealand Council of Trade Unions
Peter Conway	Economist	New Zealand Council of Trade Unions
Mike Sweeney	Northern Region Operations Director	Engineering Printing and Manufacturing Union
Phil O'Reilly	Chief Executive	Business New Zealand
Charles Finny	Chief Executive	Wellington Regional Chamber of Commerce
Nigel McKinlay	Managing Director	McKinlays Footwear
Brice Landman	Chief Executive	Carter Holt Harvey, Pulp & Paper
Andrew Hunt	Managing Director	Kinetics Group
Greg Miller	Group General Manager	Toll Tranzlink
David Brumby	General Manager	Rotaform
Phil Pollet	CEO/Owner	Goodtime Foods
Maryan Street	Employee Relations Portfolio Manager	DHBNZ