

POLICY Quarterly

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Editorial

When, in late 2019, I accepted the invitation to guest-edit this issue of *Policy Quarterly* with Michael Fletcher, none of us had any idea of what was around the corner in early 2020. However, on 26 March, it dawned on me that this would need to be the Covid-19 issue. With the full support of Jonathan Boston and Simon Chapple, we rapidly repurposed this issue and invited new contributors. Many thanks are due to the authors herein for stepping up to write under difficult and rapidly changing circumstances. Every one of them recognised the need to reflect on the national emergency caused by Covid-19, even while we were still in the midst of it.

As I write this, the Covid-19 pandemic is still raging across the globe. It is far from over, and there is as yet no vaccine. New Zealand's borders remain under strict quarantine controls. Domestically, however, life is returning to normal. New Zealand's response to the virus may thus be considered a success story so far, but the risk of a second wave of infections remains, and none of us can afford to be complacent.

The pandemic and our efforts to control it have affected all aspects of our lives and have had significant economic and social costs. People's lives have been 'turned upside down', and everyone has had to make significant sacrifices to help get the country through and to protect themselves and their families. The negative consequences have not fallen equally upon all New Zealanders, however. Those who suffered serious illness or lost loved ones come first to mind. Those with underlying health conditions who had to take extra care, those who had to close their businesses, and those seeking employment in a depressed labour market have suffered much more than those who were in good health all the way through and who worked from home. Many people have suffered from social isolation and loneliness, and schools had to close, disrupting children's education. On the other hand, many people reported that the lockdown gave them a welcome opportunity to spend more time with family and whānau.

The government's decisions were necessarily made in the face of deep uncertainty – in a this-changes-everything moment – and time was of the essence. The articles herein were drafted largely in May 2020, in the midst of the global pandemic, while New Zealand, with closed borders, appeared to be successfully eliminating the virus. The authors were aiming at a moving target. Our

conclusions, therefore, are often speculative. But it was necessary to record, 'in the thick of it', what happened, what New Zealand did right, what could be done better in future, and how we recover from the pandemic and its many consequences. This issue of *Policy Quarterly* therefore records, from a range of policy-relevant perspectives, how New Zealand was responding to the pandemic during that critical period. Some of those responses could lead to lasting benefits for communities, the healthcare sector and the environment. Future readers will be able to judge with hindsight our responses, and to reflect on the extent to which our concerns and our recommendations have endured. I am confident, however, that the recommendations made by contributors to this issue will be good food for policy thought as we rebuild.

Other major policy problems of international concern remain with us, including climate change, pollution, terrorism, chronic disease, economic inequality, human trafficking, and so on. There is a risk that the pandemic could distract policymakers' attention from these abiding problems; there are also opportunities to stimulate innovations that will advance health, welfare, and environmental and economic goals. The articles in this issue encompass many of these cross-cutting concerns.

This issue also provides a space for those who have been directly involved in the pandemic response to reflect on what the country has been through and on how much has been achieved in such a short time. Above all, the collective actions recorded herein testify, without doubt, to the remarkable dedication and spirit of New Zealand's public servants and health professionals. We acknowledge how much they have done, largely behind the scenes, to quickly adapt to, and to pull the country through, a major public health crisis that has changed everything. There is still much more to be done, and there will be difficult debates ahead as we navigate our way through the global economic recession. But we have witnessed an evidence-led and crowd-sourced pandemic response, and the whole country is benefiting from the results. This issue of *Policy Quarterly* should be read as testimony to that.

Grant Duncan
Guest Editor

The Covid-19 Pandemic what happened? Was New Zealand Prepared?

Abstract

This introductory article traverses the basic events since the outbreak of Covid-19 in China in December 2019, through its arrival in New Zealand and the nationwide lockdown and collective effort to eliminate it, up until the end of May 2020. The government acted decisively, with considerable public support and cooperation, and the overall response was therefore a success, albeit a very costly one. Lessons have been learned, however, about pandemic preparedness.

Keywords Covid-19, New Zealand, government, pandemic preparedness

The Covid-19 pandemic was caused by a novel coronavirus (SARS-CoV-2) that appeared in December 2019 and was rapidly transmitted globally. By the end of May 2020 it had surpassed 6 million recorded infections and 370,000 fatalities, and rising. The virus was most probably of natural animal origin. The first known cases, in Wuhan, China, had onset of symptoms around 1 December 2019. A wholesale food market was ‘the

source of this outbreak or played a role in the initial amplification of the outbreak’ (World Health Organization, 2020, p.1). A report on a cluster of pneumonia cases admitted to a hospital in Wuhan, all with confirmed SARS-CoV-2 infections, was first published online in the *Lancet* on 24 January 2020. It warned of the virus’s ‘pandemic potential’ (Huang et al., 2020, p.504).

On 30 January the World Health Organization (WHO) declared ‘a public health emergency of international concern’ – that is, an extraordinary event which constituted a public health risk to other states through the international spread of disease, and which potentially required a coordinated international response. The WHO called it a pandemic on 11 March 2020. By that date, five confirmed or probable cases had been reported in New Zealand, the first two of which had arrived from Iran and Italy where significant outbreaks were growing. Through the course of March, a number of gatherings occurred in New Zealand that resulted in clusters of cases and these were traced to overseas contacts. These included a conference in Queenstown, a St Patrick’s Day celebration in Matamata and a wedding in Bluff. The latter occurred on 21 March, the same day that the prime minister announced a four-level alert system for the implementation of emergency measures to control transmission of the virus.

On 25 March a state of national emergency was declared and New Zealand prepared to go into the highest, ‘level 4’

lockdown at midnight that night. This meant that only 'essential' services were permitted to operate, and that people were otherwise confined to their homes, except for local trips to the supermarket and the pharmacy or for exercise. Social gatherings were prohibited and a social-distancing norm of two metres was required at all times. Everyone was required to restrict closer contacts to a limited social 'bubble'. Non-essential businesses and employees continued to work at home online, in as much as possible. Schools and tertiary education institutions closed. On an index of 'stringency' of compulsory lockdown

al., 2020). But New Zealand avoided exponential growth in case numbers, and intensive care units were not overwhelmed. Sweden, with about twice New Zealand's population and less stringent controls, had by the end of May about 28,000 active cases and 4,300 fatalities.

A success story

New Zealand's efforts to eliminate this aggressive virus may be considered a success for 'flattening the curve', avoiding overload in hospitals, and saving lives. This was a whole-of-government effort, informed by scientific evidence and supported by a

It took extraordinary efforts from public servants and healthcare professionals to get systems up and running under pressure.

measures, New Zealand was rated among the most stringent in the world at that time (Blavatnik School of Government, 2020). These emergency measures were lowered to level 3 on 27 April, allowing many businesses to reopen, but nonetheless still with relatively strict constraints, and then to level 2 on 14 May.

The cumulative numbers of confirmed and probable cases in New Zealand rose to 1,504 by the end of May, but the numbers of new cases reported per day had peaked on 5 April. The number of active cases (that is, the cumulative total of confirmed and probable cases, minus the numbers recovered, minus fatalities) peaked at 930 on 6 April, declining steadily thereafter. The numbers in hospital on any one day never exceeded 20, and those in intensive care never exceeded five. There have been to date 22 fatalities.¹ One can only guess how many more lives may have been lost, and how many more may have been hospitalised, had less stringent measures, or none at all, been imposed. Mathematical modelling prior to the lockdown had warned of significant numbers of severe cases, thousands of deaths and a shortage of intensive care beds if the country had failed to eliminate the disease (Wilson et

high level of public cooperation. But the regular 'government of everyday life' had to be suspended, emergency measures prevailed, schools and businesses closed, and political leadership, public services and social cohesion were put to the test.

Political rhetoric does not defeat a pandemic; sound scientific knowledge and public health technologies do. New Zealand was very fortunate, nonetheless, to have had effective and compassionate leadership, with clear messages from the prime minister and senior public servants, especially the director-general of health. Transparency and consistent communication were essential to the public's trust in decision makers and willingness to collaborate. As Jacinda Ardern often said, it all depended on a team of five million. Everyone was called upon to obey extraordinary constraints on civil and economic liberties, often at considerable personal expense, loneliness, loss and grief. And the level of public acceptance of, and trust in, the government's lockdown was very high, according to surveys (Colmar Brunton, 2020; Manhire, 2020; Sibley et al., 2020). But ongoing public support cannot be taken for granted – either in terms of political support for the

ministry on whose watch the crisis happened, or in terms of day-to-day compliance with lockdown rules. The people's trust in government is crucial at such times, and that trust must be reciprocated with transparency and with effective actions.

Pandemic preparedness

A common refrain was that Covid-19 was a 'one in one hundred years' event, harking back to the influenza pandemic of 1918. It is, however, unwise to assume that another such pandemic will not happen in our lifetimes. A globalised economy of international travel and supply chains enabled the rapid transmission of the virus and exacerbated the economic disruption. Crowded cities, air pollution, pre-existing chronic diseases and poverty worsened the global burden of disease. So, we should prepare ourselves for another such event and build on what has been learned and developed this time around.

Accepting that nothing can fully prepare any country for such a crisis, we can look at some of the provisions that were in place, to evaluate their fitness for purpose, and also consider the gaps that Covid-19 exposed. Arguably, New Zealand got all of the necessary systems working. But some had to be improvised as the crisis unfolded. Supermarket workers, for example, were unexpectedly drafted into the 'front line' of emergency response. It took extraordinary efforts from public servants and healthcare professionals to get systems up and running under pressure. These achievements need to be recorded, institutionalised and 'stowed away' for rapid redeployment. Below, I address some of the critical issues. Further details are provided by other contributors to this *Policy Quarterly*.

Preparedness in the health sector

The Ministry of Health has had an Influenza Pandemic Action Plan in place since 2002, last updated in 2017. As its name implies, it was designed to respond to influenza, such as the novel influenza A (H1N1) virus in 2009, but it did encompass other respiratory-type diseases, such as SARS in the epidemic of 2003. However, the action plan did not fully envisage a scenario with an aggressive, highly transmissible novel

coronavirus for which there was neither antiviral medication nor vaccine.

On 25 February 2020, the numbers of intensive care and high-dependency unit and negative pressure beds across the country were reported (Ministry of Health, 2020). Given that many of these would be occupied already, community transmission of Covid-19 could very quickly have overloaded the system with patients needing critical care. Fortunately, this did not happen, and the Covid-19 cases that did require ICU beds would have been more than offset by the reduction in the numbers of serious and fatal traffic accidents due to the lockdown.²

Two critical success factors in the disease-control response were testing and contact tracing. The numbers of tests per day increased dramatically from early March, reaching a seven-day rolling average of 5,928 in the period 4–10 May. As for contact tracing, it had become apparent in March that the workload would exceed the capacity of the 12 public health units. The pandemic had exposed system fragmentation at the national level and different data-gathering methods across public health units. A National Close Contact Service commenced on 24 March, using a manual system, and then a technology solution for all calls by 6 April. But some district health boards were already relying on their existing systems. As lockdown restrictions eased, swift case detection and contact tracing were essential for controlling any outbreaks of the virus, especially in the absence of a vaccine (Verrall, 2020).

Emergency powers

The Epidemic Preparedness Act 2006 provides executive powers, while an epidemic notice is in force, to ‘modify’ by order-in-council any statutory requirement or restriction if compliance therewith is rendered ‘impossible or impracticable’ by the epidemic, provided this is ‘reasonably necessary in the circumstances’. The act had been passed without opposition, but nonetheless its powers aroused concern (New Zealand Law Society, 2020). The Health Act 1956 granted numerous powers to medical officers of health and the police during an epidemic, including the isolation of ‘persons’. But the level-4

lockdown in April 2020 put the entire population into isolation. Questions were raised about the lawfulness of this (Radio New Zealand, 2020). Moreover, there was initial public confusion about the lockdown ‘rules’ regarding ‘essential’ services and routine exercise. Guidelines for the public about police powers under the epidemic notice, and about penalties for breaches, were initially not as clear as they should have been. Consequently, there was public uncertainty about the kinds of activities and travel, both commercial and recreational, that were or were not permitted.

stimulus, new borrowing, and deficits projected until at least 2024. The Budget forecast unemployment to peak at 9.8% in September 2020.

So the responses of the New Zealand government, as a whole, were admirably nimble and proportionate, given the risks to public health and the inevitable recession. Some responses were improvised; some were possibly *ultra vires*, no matter how necessary. This revealed some shortcomings in preparedness, even as it also revealed impressive commitment, leadership and pragmatism. We can begin, then, to ask how New Zealand could be better prepared

The Covid-19 pandemic response showed how effectively and rapidly the New Zealand government, public servants, scientists, journalists and communities can collectively combat a common threat under deep uncertainty.

Economic policy

Saving lives was the first priority, but saving livelihoods could not be neglected. The New Zealand government responded with a fiscal stimulus package to support continuity of employment relations, and Parliament passed an imprest supply bill just before it went into recess. On 17 March the government announced a wage subsidy scheme and a \$25 per week increase in main benefits. This helped many firms and households to weather the storm. But impatience with the lockdown became increasingly vocal as business revenues dried up. The Reserve Bank responded rapidly by lowering the official cash rate by 75 basis points on 16 March and removing mortgage loan-to-value ratio (LVR) restrictions for 12 months from 30 April. The Budget was delivered as scheduled on 14 May, but had to be rapidly and substantially revised to accommodate the profound economic shock, rising unemployment, fiscal

for a future pandemic, and to reduce morbidity and mortality with less cost to economic activity and social connection.

Taiwan’s rapid responses

Comparisons were frequently made with Australia’s less restrictive lockdown. But a more instructive example is Taiwan. On 26 May, Taiwan’s Centers for Disease Control reported a cumulative total of 441 confirmed cases of Covid-19 and 7 fatalities, in a population of 23.8 million – more than four times New Zealand’s, and with much closer links to Wuhan. New Zealand’s Ministry of Health reported 1,154 confirmed cases and 21 fatalities on that same date. Moreover, the lockdown restrictions in Taiwan were rated as less stringent than both New Zealand’s and Australia’s, but more stringent than Sweden’s (Blavatnik School of Government, 2020).

How had Taiwan achieved much better health outcomes than New Zealand, but

with fewer restrictions on social and economic activities? On 31 December 2019 ‘Taiwanese officials began to board planes and assess passengers on direct flights from Wuhan for fever and pneumonia symptoms before passengers could deplane’. They reacted as soon as the WHO was notified of the disease. By 5 January, anyone who had travelled in the previous fortnight in Wuhan and had respiratory disease symptoms was tested for known viruses, quarantined at home and assessed for hospitalisation. On 20 January, Taiwan’s Central Epidemic Command Center was activated and empowered to coordinate the key ministries ‘in a comprehensive effort to counteract the emerging public health crisis’. Travel bans were progressively applied from then on as the virus spread to different regions. High-risk individuals were identified and tracked through data analytics. From 29 January, ‘electronic monitoring of quarantined individuals via government-issued cell phones’ was implemented. People who broke quarantine restrictions faced fines equivalent to US\$10,000 (Wang, Ng and Brook, 2020).

By 29 January, New Zealand was not yet prepared. Granted, it had less travel to and from Wuhan than Taiwan did; but New Zealand lies only one long-haul flight from China. Entry restrictions on foreign nationals travelling from or through China were imposed on 3 February, and those permitted entry were required to self-

isolate for 14 days. Health monitoring of those arriving from Hong Kong, Japan, South Korea, Singapore and Thailand began on 29 February. But anecdotal reports in the media of lax control as people arrived at Auckland International Airport were aired through March. At that crucial time, New Zealand lacked an effective, nationally-coordinated data system for tracking persons required to self-isolate and for tracing their contacts. A 14-day period of government-managed isolation or quarantine was imposed on all new arrivals from 10 April. But the virus had already breached New Zealand’s first line of defence: its border.

The second line of defence, then, was a ‘team of five million’. While health authorities dealt with clusters, the entire population was called upon to prevent community transmission and to keep themselves safe. This meant coercive police powers and economic shutdown on a scale never seen before in this country. The economic recovery will take years. With better pandemic emergency preparedness, more effectively utilising New Zealand’s geographic isolation, the price of success may have been much lower.

Conclusion

The Covid-19 pandemic response showed how effectively and rapidly the New Zealand government, public servants, scientists, journalists and communities

can collectively combat a common threat under deep uncertainty. There is much that we can reflect upon and take pride in; there are also lessons for future such emergencies. Moreover, there can be no return to the status quo ante. The pandemic has shaken up our ideas about public management and policymaking; it is speeding up technological and business innovations. Debates have begun about what this new era will look like, and what social and economic policies it demands. Economic inequality, preventable illnesses, artificial intelligence, terrorism and climate change remain, moreover, as contemporary challenges facing lawmakers and administrators. At the time of writing, the pandemic is far from over; travel restrictions and quarantine controls are still in place. We do not know the extent to which recovery will engender solidarity or division in society. But several articles herein argue strongly that our pandemic responses have strengthened bonds between central and local government, iwi, schools and communities – connections and capabilities that government should nurture. Others have recommendations about future governance and policy for public health. Rebuilding will make us rethink every dimension of public policy.

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1 Figures are based on those reported daily by the Ministry of Health and may differ from final tallies.

2 Following Easter and a long Anzac weekend, it was reasonable to estimate 40 fewer traffic-related fatalities, compared with the previous two years to date.

Janine Hayward

Government Authority and the Covid-19 Lockdown

Abstract

During the national lockdown, Cabinet exercised extraordinary authority in response to the Covid-19 pandemic. This article summarises the circumstances leading up to the adjournment of Parliament in late March, and the decision-making processes in place during the lockdown. This includes the national security system and all-of-government response to the crisis, as well as the key legislative triggers for the government's response: the Epidemic Preparedness Act 2006 (and the epidemic notice) and the Civil Defence Emergency Management Act 2002 (and the state of national emergency). It also discusses decision making by the Covid-19 Ministerial Group and the Epidemic Response Committee while Parliament was adjourned. It argues that Cabinet exercised appropriate authority in response to the crisis and did not make significant, permanent or constitutional change.

Keywords Cabinet, all-of-government, epidemic notice, Covid-19 Ministerial Group, Parliament, Epidemic Response Committee

Under normal circumstances, the New Zealand Parliament exercises extensive authority to make and amend legislation. That is to say, Cabinet, as the government of the day with a majority in the House, faces very few checks and balances in implementing its policy agenda. The Covid-19 pandemic derailed business as usual for Parliament,

and society in general. For a period of several months during the height of the crisis, Cabinet exercised extraordinary authority, even by New Zealand standards. In some nations there has been pushback from sectors of society against the increased authority of government over people's lives. In New Zealand, despite criticism from some quarters (Dunne,

2020; Roy, 2020), public polling showed that trust in the government and the public sector increased during the lockdown, and that the vast majority of New Zealanders supported the government's actions. Whether or not we support the decisions governments make during a crisis, it is important that we understand, and reflect on, the degree of authority the government exercises in doing so. Here, I summarise the circumstances leading up to the adjournment of Parliament in late March, and the decision-making processes in place during the national lockdown.

But first, what is an emergency and what degree of government authority is appropriate in response? An emergency is any 'happening' which causes or may cause loss of life, injury, illness or distress which cannot be dealt with by emergency services (Civil Defence Emergency Management Act 2002, s4). During a state of emergency, governments draw on extraordinary authority that, under normal circumstances, would be considered unreasonable, even undemocratic. A government may suspend certain rules temporarily in order to protect the core of its authority, and to protect the institutions required for public safety, good governance and prosperity (Department of the Prime Minister and Cabinet, 2016, p.6). A government's response to an emergency should be proportional to the state of the emergency. The response should be temporary, with restrictions lifted as soon as possible. Most importantly, during an emergency a government should

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use its extraordinary authority only to address the crisis at hand, not to make broader, permanent constitutional change.¹

In 2001 the New Zealand government adopted an expansive 'all hazards—all risks' approach to national security. In a crisis, this approach aims to: ensure public safety; preserve sovereignty and territorial integrity; protect lines of communication; strengthen international order to promote security; sustain economic prosperity; maintain democratic institutions and national values; and protect the natural environment (*ibid.*, p.8). A national security system was developed to provide a coordinated government response, run by the Department of the Prime Minister and Cabinet (DPMC) National Security Group. During a crisis the system operates at three levels to provide strategic decision making: (1) the prime minister leads the Cabinet National Security Committee, which includes ministers of the Crown; (2) the DPMC chief executive leads the Officials' Committee for Domestic and External Security Coordination (ODESC); and (3) the DPMC deputy chief executive (security and intelligence) leads the senior and other officials' committees, working groups and watch groups. A lead agency is identified according to the nature of the emergency in order to clarify responsibilities, leadership, communication and coordination. Although responsibility remains with chief executives and ministers, the national security system aims to coordinate agency work across complex problems (*ibid.*).

Covid-19 presented New Zealand with an unprecedented level of threat to health and economic and social stability. As a result, the scale and complexity of the government response to the pandemic was unprecedented in New Zealand's history. A national security system response was established in late January as the Covid-19 threat to New Zealand became apparent. The first watch group meeting among relevant officials to monitor the developing crisis was called on 27 January. Although a watch group may be enough to achieve cross-agency coordination in response to an event, in this case the response was quickly escalated and the first ODESC meeting of chief executives was held four days later on 31 January. These discussions

identified the risks Covid-19 presented in relation to New Zealand's pandemic plan (Ministry of Health, 2017). The Ministry of Health was identified as the lead agency to provide independent advice to the prime minister and Cabinet on the national-level health response, while district health boards provided the regional lead. The director-general of health, Ashley Bloomfield, was responsible under the Health Act 1956 for overseeing this public health response and for ensuring that health information and advice from the ministry reached all relevant officials (Ombler, 2020). A range of government agencies engaged in the watch group and

On 11 March,
Covid-19 was
declared a
notifiable, infectious
and quarantinable
disease under the
Health Act 1956.

ODESC meetings and took the lead in their specific areas in support of the Ministry of Health. The DPMC played a key role in coordinating policy advice and government action (Department of the Prime Minister and Cabinet, 2016, p.21).

In late January, Covid-19 was listed as a notifiable infectious disease under the Health Act 1956, in recognition of the potential threat it posed. It was quickly apparent that the scale of the crisis New Zealand was facing required a more expansive model for working across government than the national security system response anticipated. The DPMC chief executive and ODESC chair, Brook Barrington, took significant steps to strengthen the government and public sector response. First, to support the Ministry of Health, Barrington initiated an enhanced all-of-government response in February to coordinate decision making across relevant agencies and officials. Peter

Crabtree from the Ministry of Business, Innovation and Employment provided and led the all-of-government strategic policy coordination and provided support to the Ministry of Health. There was also a strong effort to ensure a unique, integrated all-of-government public communications response led by the Ministry for Primary Industry's John Walsh to provide a clear, positive communications strategy with the New Zealand public (Ombler, 2020).

On 11 March, Covid-19 was declared a notifiable, infectious and quarantinable disease under the Health Act 1956. This declaration made a range of powers available under the Health Act, and meant that, if required, the prime minister could issue an epidemic notice in response to the pandemic under the Epidemic Preparedness Act 2006. On 16 March Barrington activated the National Crisis Management Centre to ensure effective coordination across agencies, including communications, operations, logistics, welfare, planning, policy and intelligence. The National Crisis Management Centre continued to grow in size as different agencies volunteered staff to support the response. Barrington engaged the services of experienced senior public servant John Ombler as the all-of-government controller under the Civil Defence Emergency Management Act 2002. Ombler was responsible for providing strategic direction and coordination for the all-of-government response. He acted as the 'pivot point' between the national security system and the operational response to ensure a consistent and coordinated approach (Ombler, 2020). Ombler was joined in the leadership team by the director-general of health and the director of civil defence emergency management, Sarah Stuart-Black, who have statutory powers under the Health Act and the Civil Defence and Emergency Management Act respectively. The team also included Mike Bush (the police commissioner until early April), who led and coordinated the operational response, and the Ministry of Business, Innovation and Employment's Peter Crabtree, who provided oversight and coordination of the all-of-government strategy and policy advice.

Under different circumstances, it might have been possible for this all-of-

government response to function within the usual parliamentary decision-making and legislative processes for the duration of the crisis. However, throughout March the number of Covid-19 cases in New Zealand escalated and there was evidence of community transmission of the virus. The government took the policy decision to 'go early and go hard' on the spread of the virus. It established a Covid-19 alert level system and moved the country to level 3 on 23 March. The minister of civil defence took advice on 24 March from the director of civil defence emergency management and declared a state of national (as opposed to local) emergency under the Civil Defence Emergency Management Act 2002 (s66). This declaration enabled resources to be coordinated at the national level and also ensured local and regional level compliance with the instructions being issued. It allowed food, fuel and essential supplies to be provided as required, and allowed officials to regulate land, water and air traffic, to close roads and public places and to evacuate premises. This was only the second time a state of national emergency has been declared in New Zealand; the first time was on 23 February 2011 following the 6.3 magnitude earthquake in Christchurch.

Although it was not scheduled to sit between 20 and 30 March, Parliament was required to meet after the state of emergency was declared. Therefore, the House sat on 25 March, and it proved a busy and extraordinary day. The prime minister announced that, effective from 11.59pm that day, the country would move to alert level 4 and there would be a nationwide lockdown. Significant steps were taken to give effect to the lockdown. On the recommendation of the director-general of health, and with the agreement of the minister of health, the prime minister issued an epidemic notice under section 5 of the Epidemic Preparedness Act 2006. This ensured the continuity of essential government business in the face of the unprecedented effects of Covid-19, which, in the prime minister's words, was likely to 'significantly disrupt essential governmental and business activity in New Zealand' (Ardern, 2020).

The epidemic notice unlocked provisions in the Corrections Act 2004, the

Electoral Act 1993, the Epidemic Preparedness Act 2006 and the Health Act 1956, to be used as and when required. It also allowed epidemic management notices to be made across a range of areas and services, including local government, immigration and social services (under section 8 of the Epidemic Preparedness Act) if the prime minister was satisfied that the effects of Covid-19 made it necessary to do so. The prime minister justified this additional authority to change specific parts of legislation as a 'common-sense and pragmatic way to keep our systems working in a time of shutdown and get rid of particular requirements that are impractical'

Covid-19 presented an unprecedented level of threat to New Zealand society ...

(*ibid.*). She announced two such changes on 25 March, effective immediately. First, visas were automatically extended for temporary visa holders for the duration of the epidemic management notice (plus an additional three months), thereby taking the load off immigration officials who would otherwise manually process those applications. Second, emergency benefits were granted to those otherwise not entitled or eligible under the existing provisions of the Social Security Act 2018. (An epidemic management notice was also made in relation to sentencing and parole later in March.)

The epidemic notice also enabled modification orders (under sections 14 and 15 of the Epidemic Preparedness Act) to make targeted modifications to some legislative provisions. Modification orders can be made on a minister's recommendation (in consultation with Cabinet) to the governor-general. These modification orders are in place only as long as the epidemic notice is in force and they cannot extensively 'rewrite' the law. Changes cannot be made to (amongst

other things) the Bill of Rights Act 1990, the Constitution Act 1986 and the Electoral Act 1993. The minister must be satisfied that Covid-19 made it impossible to comply with the current enactment, described as 'a high bar – but appropriately so' given that the order would modify legislation enacted by Parliament (Ministry of Health, 2020). Although the prime minister did not announce any modification orders on 25 March, some were subsequently issued, as discussed below.

The epidemic notice also triggered provisions in the Health Act relating to the special powers of medical officers of health. Specifically, section 70(1)f empowered the director-general of health for 'the purpose of preventing the outbreak or spread of any infectious disease' to 'require persons, places, buildings, ships, vehicles, aircraft, animals, or things to be isolated, quarantined, or disinfected as he thinks fit', including closing premises and forbidding people to congregate. This authority underpinned the requirements at each alert level, notably the directive on 25 March that New Zealanders must go home and stay home (with very few exceptions) for the duration of the national lockdown.

In anticipation of Parliament being adjourned during lockdown, the leader of the House, Chris Hipkins, moved to establish a special select committee, the Epidemic Response Committee, to take up the essential roles of scrutinising the government's decision making in response to the pandemic and reporting to the House. Under normal circumstances, select committee membership broadly reflects the proportions of party membership in the House. In a break from tradition, Hipkins announced that the committee was to be chaired by the leader of the opposition with an opposition majority, to ensure effective scrutiny of the government's actions. The committee included ten further members: four National Party MPs, one ACT MP, three Labour MPs and one MP each from the Green Party and New Zealand First. It could request and receive information about how the government was exercising its powers and it had the power to require people to appear before it (although not physically). Finally, the leader of the House

moved that the House be adjourned until 28 April in keeping with the requirement for everyone (except essential services) to comply with the lockdown.

As the nation went into lockdown, Cabinet transitioned into a new phase to keep pace with fast-changing events. Cabinet committees stopped meeting, including the ad hoc Cabinet Committee on Covid-19 Response which had been meeting since early March. In its place, Cabinet established the Covid-19 Ministerial Group Cabinet Committee to coordinate and direct the government's response to the pandemic. Cabinet authorised the committee with 'power to act' and take final decisions on behalf of Cabinet (Department of the Prime Minister and Cabinet, 2019). This committee was chaired by the prime minister and comprised seven ministers from Labour, New Zealand First and the Green Party. It was supported by a range of experts from inside and outside government. It met almost every day (including weekends) during alert levels 3 and 4 and it functioned at speed in order to respond as events unfolded.

During the lockdown, some immediate modification orders were issued to temporarily change provisions in legislation which were made impossible or impractical during the lockdown, largely relating to physical distancing requirements. The orders ensured, for example, that wills and oaths were not required to be signed and sworn in person; that the police and health officials were not made available for alcohol licence applications and renewals; that declarations for new local authority members did not need to be witnessed in person; that enduring powers of attorney could be created with the required

signatories in different places; that applications to extend benefits for existing beneficiaries would not require an additional form to be completed; and that modified the collective bargaining requirements while the epidemic notice was in force.

The Epidemic Response Committee began its work of 27 March and met digitally, with many of its meetings available for the public to view through the Parliament website. While Parliament was adjourned, the committee led an inquiry into the government's response to Covid-19, hearing evidence from a wide range of individuals and officials who appeared before it over 25 meetings. After Parliament resumed on 28 April, the committee reported to the House on the Covid-19 Response (Further Management Measures) Legislation Bill, an omnibus bill amending 45 pieces of legislation to respond to the wide-ranging effects of Covid-19. It also reported on the Immigration (Covid-19 Response) Amendment Bill, which was introduced to the House on 5 May. The bill sought to provide additional flexibility to the immigration system, to be automatically repealed after 12 months. In both cases the committee recommended that the bills be passed, subject to amendments.

When the country moved back to alert level 3 on 27 April, Parliament resumed sitting (under urgency) and the ad-hoc Covid-19 Ministerial Group Cabinet Committee became defunct. The state of national emergency, which had been extended six times, was lifted on 12 May, and the temporary powers afforded to officials lapsed. The Epidemic Response Committee was disbanded on 26 May. The epidemic notice issued on 25 March was valid for three months; any modification

orders made under the Epidemic Response Act lapse once the epidemic notice is lifted. As these more extreme measures were ratcheted down, the all-of-government response continued to support the Ministry of Health and relevant ministries for as long as required.

Covid-19 presented an unprecedented level of threat to New Zealand society, and the government and public sector responded with an unprecedented expansion of authority. Was the response to the crisis proportional to the crisis threat? Did the government use this authority appropriately? These preliminary observations highlight a number of important features to consider. New Zealand's existing national security response system adapted as the circumstances demanded. Many of the key decisions triggering legal provisions were made on the basis of advice from officials (not politicians), such as the DPMC chief executive, the director-general of health and the director of civil defence. At the height of the crisis, Cabinet moved at speed to keep pace with events and exercised the 'power to act' relatively sparingly; its authority was temporary, as were the pragmatic changes made to legislation. The authority extended to Cabinet even at the height of the crisis did not empower it to make significant, permanent legislative or constitutional change. Nevertheless, this network of decisions and actions had an unprecedented impact on society and questions will, and should, continue to be raised about all aspects of this extraordinary phase of New Zealand politics.

¹ For further discussion see Joel Colon-Rios in Faculty of Law, 2020.

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Janet McLean

Risk and the Rule of law

Abstract

In this article the author argues for the importance of law even in the face of a global pandemic, suggests some ways that law helps to reveal and articulate the moral issues at stake, and sketches the legal controversies surrounding the Covid-19 lockdown.

Keywords risk, proportionality, government power, rule of law, legitimacy

At the height of the level 4 lockdown, the degree of trust in the New Zealand government was registered at close to 90%. Every lunchtime the prime minister and the hitherto unknown director-general of health, Ashley Bloomfield, briefed the nation on the number of confirmed and probable cases of Covid-19 and described the measures that we needed collectively to take to respond to the threat the disease presented. In what was a mixture of public health advice, command with a threat of sanction, and moral exhortation, we were

told to wash our hands, stay in our bubbles (or be fined or prosecuted), and to be kind.

The nation was in thrall to medical experts – the public health specialists, epidemiologists, vaccine specialists – who led the public debate. The most important of these was the director-general, himself public health trained though this is not a formal requirement of the office, and, importantly, the official in whom the Health Act 1956 vested the legal powers to lead the government’s infectious disease response. It was he, and not the prime minister or minister of health, in whom

the most important legal powers to make the orders effecting lockdown reposed.

Initially at least, the official messaging went much further than the legal orders appeared to allow (Geddis and Geiringer, 2020; Rishworth 2020). In contrast to the medical experts, however, the legal experts were strikingly quiet. The academic lawyers had been reluctant publicly to air their views and misgivings about the legal bases for the measures, even if they appeared to be broadly in agreement with the measures themselves. Public interventions risked presenting the law and legal expertise in its worst light – the vehicle of pedants who are unable to see the ‘bigger picture’ or participate fully in ‘Team New Zealand’. It was not until the alert level was reduced to level 3, and Parliament was once again able to meet, that some of the country’s top public lawyers began openly to question the legal bases for the exercise of what were unprecedentedly coercive powers.

At that point some public lawyers were willing publicly to describe the legal authority for the lockdown as ‘highly debatable’, ‘deserving further consideration’,

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‘going beyond the necessary’, incurring ‘ongoing legal risk’ (Geiringer and Geddis, 2020), and as ‘legally questionable’ and conferring ‘undesirable’ levels of discretion (Hopkins, 2020). Others were more sanguine and ‘benevolent’ about whether there was already sufficient legal authority (Knight and McLay, 2020). All seemed to agree that there should be legislation to clarify the powers under which the response would be based in future. As one commentator observed: ‘The legitimacy that sustained us through level 4 will likely now need to be backed up by new, watertight, hard law’ (Hopkins, 2020). At the

police) exercises such powers by way of orders and rules, it should do no more than is necessary by way of limiting rights. In the context of emergency powers, however, the same lawyers will be very reluctant to confer broad liberty-invading powers on officials in advance of an actual emergency, lest those powers be used for nefarious ends. And when it comes to whether the implementation of such powers has limited rights more than necessary, the liberty calculus will also be more than usually complex.

The usual presumption that government *necessarily* impedes liberty by

made between children and other vulnerable loved ones. Religious services and sporting and cultural events were cancelled. Other, less commensurate freedoms, such as the freedom to trade in goods and services, were curtailed. People’s livelihoods in businesses were threatened and sometimes destroyed by the disease and/or the government’s response to it. I say *less* commensurable, but in ordinary times we regularly trade health off against cost and at some point the government was going to need economic activity to pay for the pandemic response and to keep the healthcare sector going.

In calculating those trade-offs, the government was required by the Civil Defence Emergency Management Act 2002 to take a precautionary approach in the face of scientific uncertainty (s7). That is, the government was not, or not only, required to weigh the risk to life and health against other comparative measures of risk to life and well-being. Rather, it was required to weigh the ordinary risks to life and well-being against the risk of *catastrophic* collective harm in the form of huge numbers of deaths all at once and an existential threat to the population at large. Whether and how the likelihood of widespread catastrophic harm does or should affect the risk calculus is not uncontroversial in moral terms. But the idea that even a small risk of catastrophic harm should weigh more heavily than a higher likelihood of less serious harm has a certain intuitive appeal. This precautionary element further complicates the liberty calculus against which the statutory powers in the Health Act are capable of being read. And all this at a time when much was still unknown about the disease, when other jurisdictions were building outdoor morgues to house the dead, and in advance of the level 4 lockdown appearing to be successful in excluding community contagion and preventing the hospital sector from becoming overwhelmed. Against this background it is not surprising that lawyers have been divided both about how to interpret the powers conferred on the director-general to make orders under the Health Act and whether they went further than necessary in limiting rights (Geddis and Geiringer, 2020; Knight and McLay, 2020).

‘Isolation’ and ‘quarantine’ are not defined in the act itself but definitions helpful to the government do appear in the World Health Organization Health Regulations 2005, which are binding on New Zealand.

time of writing, at least three legal cases had commenced in the courts challenging the legality of the measures taken at levels 4 and 3, and the Epidemic Response Committee, chaired by the leader of the opposition, then Simon Bridges, had requested to see the legal advice which provided justification for the measures. Subsequently, some of the advice to the police was proactively disclosed.

That there should be doubt and uncertainty about the powers and their extent should not surprise; neither should it render the government’s exercise of its powers necessarily illegal nor law the domain of pedants. Important values are at stake here, and vigilance and debate about such values is essential to secure our present and future liberties. The general default setting of most public lawyers is to read statutes against a presumption of personal liberty. The usual expectation is that, if Parliament wants to confer powers which derogate from liberty, it must do so with ‘irresistible clarity’. And when the executive (by which I mean to include

its exercise of power is not always true and is made particularly complicated in the context of a global pandemic. Many people positively wanted to stay in lockdown in order to protect themselves and their families. The government’s exercise of power allowed employees and contractors *not* to have to attend their places of work and allowed parents to keep children safely at home and away from school and childcare centres. On the other hand, certain commensurate freedoms which also reflect the values of human dignity and the sanctity of life were curtailed, such as the freedom to receive medical treatment in the form of hospital diagnostic and elective procedures. In a trade-off between health and other measures of well-being, people were prohibited from visiting dying loved ones (the subject of a successful legal challenge in *Christiansen v Director-General of Health* [2020] NZHC 887) or attending funerals and tangihanga. While there was provision to allow children to see their separated parents, in complex blended families difficult choices still had to be

I do not intend to rehearse the full detail of the arguments about the extent of the power to make the lockdown orders here. Section 70(1)(f) (under which the 3 April order was made) authorises the director-general to make an order requiring ‘persons, places, buildings, ships, vehicles, aircraft, animals, or things to be isolated, quarantined, or disinfected as he thinks fit’. On its face it looks to confer broad power. Geddis and Geiringer (2020) doubted that the terms of the lockdown qualified as ‘isolation’ or ‘quarantine’ given the wide scale exemptions which attached to essential workers and services. Their stronger contextual argument was that section 70(1)(f) was unlikely to have been intended to authorise a *national* lockdown, but rather to authorise restrictions on an individual-by-individual basis where those persons or businesses infected, or likely to become infected, by the disease could be identified, individually notified, contained, tested, disinfected and treated. This argument was supported by the fact that there was no requirement of a general notice (such as attached to the exercise of the director-general’s power to close businesses) in relation to section 70(1)(f) orders.

‘Isolation’ and ‘quarantine’ are not defined in the act itself but definitions helpful to the government do appear in the World Health Organization Health Regulations 2005, which are binding on New Zealand. ‘Isolation’ is the term applied to restrictions imposed on people who are ‘ill or contaminated’ so as to prevent spread, while ‘quarantine’ is the term applied to ‘suspect persons who are not ill’ who can be separated from others and have their ‘activities restricted ... in such a manner as to prevent the possible spread of infection or contamination’. Presented with a virus which is highly contagious, is commonly asymptomatic and can be transmitted by an asymptomatic carrier, manifests as a variable range of symptoms, has a long incubation period, and can result in serious illness or death, it is plausible to read the provision as empowering the range of restrictions on every person on the basis that each person indeed *could* be ill or suspect. Taking the precautionary approach mandated by the Civil Defence Emergency Management Act 2002, all could be

considered suspect and subject to restrictions.

The notification provisions might well cause us to pause. Recourse to the legislative history, however, also goes some way to assisting the government’s broader reading. The 1956 Health Act, like its predecessor, the Health Act 1920, envisages the possibility of a national response by empowering the director-general of health to exercise the powers of the medical officer of health in any district. Looking further, we find that the main provision relied upon for lockdown (s70(1)(f)) is lifted word for word out of the Health Act 1920 (s76(1)

Bubonic Plague Prevention Act 1900, section 4(1).

The 1920 Health Act was expressly designed to mandate a science-led approach (ibid., p.14). When read alongside the Epidemic Preparedness Act 2006, the Civil Defence Emergency Management Act 2002 and the WHO Health Regulations 2005, the Health Act 1956 continues the same policy impulse and contemplates a science-led, proportionate and potentially far-reaching response to the problems presented *by a particular disease*. In this case, the section 70 powers were formally triggered by both

... the Civil Defence Emergency Management Act 2002 and the WHO Health Regulations 2005, the Health Act 1956 continues the same policy impulse and contemplates a science-led, proportionate and potentially far-reaching response to the problems presented *by a particular disease*.

(f)). Unlike the 1956 act, though, the earlier act did not contain a separate provision empowering business closures at large by general notice, but only empowered the closure of places of public amusement where people are ‘accustomed to assemble’ (s76(1)(m)), which does not go as far. The implication is that the wording of section 76(1)(f) was originally intended to confer very broad powers, including the power to close businesses. It was first enacted in 1920 in the aftermath of ‘Spanish’ influenza, and in response to a critical inquiry (Rice, 1988). The provision was reenacted in the Health Act 1956 in the middle of a polio outbreak. It would be surprising if Parliament had not intended to confer broad powers in section 70(1)(f), which in turn seems to have originated in the

an ‘epidemic notice’ in relation to Covid-19 and the ‘declaration of a state of emergency’. This broader reading is a respectable one, rendering the orders valid even if some of the applications of the orders may have left something to be desired (for example, why allow cycling but not swimming?). The effect of such a reading is that the government is the one to make the assessment of risk and not the individual, business or family group.

The disagreement between lawyers about the meaning of the provisions, then, is not merely a disagreement between pedants but is an important disagreement about values and the proper bounds and limits of state authority. For some commentators, the very uncertainty about the breadth of the provisions was desirable. The government would be given the benefit

of the doubt so long as it retained its political legitimacy via large-scale support for its measures. The process of debate and disagreement (both in public and in private) contributed to the ongoing accountabilities of government.

At the time of writing, under level 2 restrictions, it seems that it is much more, but still not quite, business as usual for both politics and the law. The House passed the new COVID-19 Public Health Response Act 2020, carefully tailored to the present emergency. Strikingly, and notwithstanding the ongoing litigation and lawyerly debate about the lawfulness of the government's measures taken under levels 3 and 4, the new legislation does not explicitly validate the earlier Health Act orders. The clear implication is that the government's legal advisors continue to stand by their earlier assessments of the director-general's legal authority.

And the public lawyers got what they wanted: a justification in the explanatory note for the measures taken; and clarity. They got the latter in the form of invasive legal powers vested in constables to search private dwelling places, and persons authorised by the director-general of health to enter marae without a warrant, powers to test, restrictions on gatherings and freedom of movement, powers to detain, and much more. Importantly, these powers now appeared in legislation, over which there is possibility of parliamentary or public oversight, rather than in orders made by the director-general.

The first form of that oversight is the vetting procedure under section 7 of the New Zealand Bill of Rights Act 1990 to ensure that the House is made aware of inconsistencies with protected rights when it considers a bill. Legal counsel in the Ministry of Justice who vetted the bill against the New Zealand Bill of Rights Act found that, despite the restrictions on eight identified protected rights, the limitations on rights were proportionate and consistent. While in ordinary times such limitations on rights would not be justified, the ministry's legal advisor considered that the unprecedented nature of the public health emergency, the actual and imminent threat posed by Covid-19, and its potential to affect all branches of the life of the community was sufficient justification.

The opposition National Party did not agree and viewed the bill as granting too much power. Nevertheless, the bill was passed under urgency. The measure as written would have expired after two years but there was an additional concession that the statute must be renewed every 90 days by a resolution of the House. In an unusual move, the government allowed the act subsequently to be considered by select committee. In addition, orders made under the act must be approved by a motion in the House of Representatives and the territorial orders made by the director-general expire after a month. Importantly, the act is still subject to the New Zealand Bill of Rights Act 1990 and its implementation and the orders made

under it remain subject to legal challenges of their reasonableness and proportionality.

The act, for the most part, invites ongoing parliamentary and other forms of scrutiny and re-establishes ordinary ministerial responsibility, with the director-general of health taking a more traditional advisory role. There are clear signals that broader political and economic considerations will have greater weight in the decision making, and already concessions have been made: for example, in the number of persons allowed at funerals and tangihanga.

Lawyers inside the public service worked hard to try to ensure that politics could continue to operate and to promote accountability to the public, and to ensure that there were procedural and other constraints on potential misuses of power. Lawyers outside the public service will undoubtedly monitor the proportionality of the government responses.

At a time when trust in experts was at an all-time low in Western democracies, New Zealand had reason to be grateful to the medical experts who led a clear evidence-based response which (so far) proved successful. Legal expertise during a time of emergency perhaps attracted less popularity both inside and outside government, but its importance in a crisis should not be underestimated. It is responsible in part for emergency legislation that retains parliamentary supremacy. That in itself is no mean feat!

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Alan Bollard

Globalisation in the Time of Coronavirus or One Hundred Years of Solitude for New Zealand?¹

Abstract

This article considers the effects that the Covid-19 pandemic may have on those aspects of international commerce and trade that are most relevant to New Zealand's economic future. It covers changes to international political economy and the likely impacts of the huge international policy response. Businesses are starting to trade differently, people no longer cross borders so freely, there is changed use of technology, there are challenges for the financial sector, and governments are taking on new roles and issuing huge amounts of debt. Bilateral trade tensions are becoming more acute. People are going to have to live through disruption and pay for this pandemic.

Keywords Covid-19, economic, trade, supply chain, policy, debt

Health protection vs economic openness

This article analyses impacts on commerce and trade that may result from the Covid-19 pandemic, lockdown and recovery. It focuses on the international economic environment and its implications for New Zealand. It is inevitably speculative, being

written at a time when the health outcomes are unclear, let alone economic ones.

The world has been hit by many shocks over the last century, including pandemics (SARS), supply shocks (the OPEC crisis), demand shocks (9/11) and financial shocks (the global financial crisis). The Covid-19

pandemic is particularly complex, with the potential to combine all these aspects. In addition, its impact has been heightened because it has been unexpected, sudden, massive and globally synchronised.

The initial economic damage has been unprecedented – government-imposed restrictions on the movement of people, resulting in production close-down and demand contraction. In this early stage the economies of many countries have been partially frozen to reduce disease transmission, putting the economy on an 'economic ventilator'. The second phase is the opening of businesses and households, accompanied by huge government stimulation. The third phase still lies ahead of us: economic stabilisation, which will be necessary to restore productivity and return towards trend growth. In the meantime, there is economic disruption and turbulence, much of it with long-term consequences.

A country can reduce its health damage by controlling its borders, but New Zealand's economy is built on openness. This article analyses the global shock, tracing likely Covid impacts on cross-border flows of people, goods and capital,

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and asks what this may mean for New Zealand economic recovery.

International political economy

The rise of Covid-19 in China, its rapid spread through the world, and its particular impact in OECD countries has increased global tensions, fanned the flames of de-globalisation, and pointed to a mounting vacuum in world leadership.

The US federal system of government has struggled to present a coherent national policy, let alone display international leadership. Its medical capacity, its pharmaceutical firms and its digital capabilities have the ability to show world leadership. But its struggle to contain infections, the intense politicisation of the pandemic, the divisions caused in society, and the bickering fight to secure personal protective equipment supplies have damaged its international reputation for crisis management and recovery.

The US has found itself surprisingly dependent on Chinese production of medical clothing, ventilators and pharmaceutical precursors. The administration has used the crisis to reinforce its message of economic nationalism, urging US firms to lessen dependence on Chinese suppliers, to onshore key production capability, and to use American supply chains. Some administration announcements appear to breach World Trade Organization (WTO) undertakings, probably with impunity. This has reinforced the 'Make America Great Again' message, and extended US policy of technological decoupling to essential medical supplies.

China also damaged its international reputation with its early mishandling of the virus, but has subsequently tried to take advantage of the leadership vacuum. Tight lockdown measures emphasised the advantages of an efficient authoritarian administration, while its production capacity allowed fast gearing-up of pharmaceuticals and medical equipment. It has supplied medical equipment and assistance to affected countries, what has been termed the Health Belt and Road. The Chinese response has reinforced its belief in the importance of domestic production capacity, as outlined in its predominant vision for industry policy, 'Made in China, 2025'.

The [US] administration has used the crisis to reinforce its message of economic nationalism, urging US firms to lessen dependence on Chinese suppliers, to onshore key production capability, and to use American supply chains.

China's competence in Covid-19 containment and assistance has impressed other countries in the region. In addition, early Chinese industrial recovery may drive international recovery next year. But many countries have tempered their admiration, with concerns about their own over-reliance on Chinese supplies and about the over-extension of Chinese soft power.

In addition, third countries are worried about how medical rivalry is exacerbating the trans-Pacific tensions in trade, technology and finance that are already evident between China and the US. The tentative steps towards containment in 2019, such as the US–China phase one trade agreement, have now broken down.

This increase in economic tensions comes at a crucial time. It has been very difficult to forecast economic impacts, due to our lack of understanding of Covid-19 health outcomes, the sensitivity of economic activity to epidemiological assumptions, and the lack of historical

precedent. The most authoritative international forecast to date is the April 2020 IMF *World Economic Outlook* (IMF, 2020). It projects world growth contracting by 3% in 2020, a global contraction not seen since the 1930s. With China slowing to 1% growth and the US projected at negative 6%, this contraction is very widespread. Most other countries in the region are expected to take comparable hits to their economic growth, and for those reliant on trading hubs such as Singapore, the impact is major. The contraction is made worse by the concurrent collapse of world energy markets, decimating US shale production. These projected slowdowns will cause social and political problems for their countries, and are likely to exacerbate regional economic tensions.

Early real-time data and surveys of job loss and business disruption to date support these projections, pointing to an initial contraction of a magnitude last seen in the Great Depression. However, the IMF's and other forecasts are based on a 'V-shaped' bounce-back in 2021, and if there is a longer ('U-shaped') downturn or a second Covid wave, then outcomes could be considerably worse.

There have been many calls for international leadership and coordination through the G7, the G20 and APEC, but, like the medical responses, the economic policy responses have so far been almost entirely national in delivery. There have been some efforts by multilateral organisations to increase stimulus, such as the IMF's increased emergency intervention facility, and the G20's talk of debt relief for less-developed countries. The WTO reports a wave of notifications of trade breaches based on Covid-19 disruption. With the absence of strong WTO enforcement and waning belief in the benefits of globalisation, there is now a significant risk of a severe increase in trade protection, which could prolong economic depression. Surveys in the US show markedly increased support for trade protection. The WTO itself forecasts a decline in world trade of 13–32% in 2020.

Asia–Pacific regional bodies such as APEC or ASEAN have had a limited role in health standard setting and emergency production. However, both bodies could focus on updating cross-border trade flows

in the post-Covid environment. Under upcoming New Zealand leadership, APEC could consider extending its business travel cards (which offer visa-free travel) to certify Covid-safe travel status, and could use its working groups to set health standards and guides to best practice, and counter unnecessary agricultural protection, working through remote meetings where possible. However, there is a risk that the Covid-19 experience might dial back attempts by these regional organisations to liberalise cross-border movements.

National policy responses

So far, national policy responses have been quite different from the laissez-faire policies of the 1930s Depression: initially many countries instituted emergency job protection and business support programmes to counter the effects of the lockdown. This has seen governments take on a new economic and political role as 'employer of last resort'. To deal with post-lockdown problems they have committed to major fiscal stimulus programmes, providing public funds as high as 10% or more of GDP; this looks to be several times larger than the total global financial crisis-era stimulus. The US congressional approvals of over \$3 trillion must be the largest ever in history.

These huge programmes need to be funded. This will be reasonably straightforward for countries like China with low national debt and high savings. The US has the advantage of borrowing in the world's reserve currency, but its demands will be huge, with public debt forecast to rise as high as 120% of GDP by 2025 (Committee for a Responsible Federal Budget, 2020). This could stress sovereign funding markets and crowd out other borrowers. The medium-term impact on interest rates is quite unclear.

These policies will eventually result in governments taking corporate and household liabilities onto public balance sheets. So far sovereign debt markets have been orderly, assisted by low interest rates and the availability of global savings, but a sovereign debt mountain looms ahead. Credit rating agencies are struggling to assess Covid-19 risk on sovereigns and corporates, and there will be many

Because the New Zealand public accounts have been in very good shape (net public debt starting at around 20% of GDP), the extra funding requirements so far look likely to be handled in a conventional way on sovereign markets.

downgrades ahead. Some countries are already pushing for non-conventional forms of 'modern monetary financing': for example, the Bank of England has been buying UK government debt directly. Markets will be scrutinising this aggressive, unconventional quantitative easing, with its adherents calling for a revolution in public financing.

The New Zealand government has announced a huge budgetary commitment to the Covid-19 response effort (Treasury, 2020). It has established a fund of \$50 billion, \$30 billion of which is already committed, with a likely fiscal impact of around 7% in 2020. Because the New Zealand public accounts have been in very good shape (net public debt starting at around 20% of GDP), the extra funding requirements so far look likely to be handled in a conventional way on sovereign markets.

Monetary policy actions have also been uncoordinated (the main international response being the US Federal Reserve's

extension of liquidity facilities to selected countries). With most countries' interest rates already ready so low, traditional monetary policy has limited stimulus capacity. Central banks have been more focused on ensuring financial market liquidity, yield curve pricing and bank balance sheet health. The Reserve Bank of New Zealand has promised up to \$60 billion of large-scale asset purchases (Reserve Bank of New Zealand, 2020). Exchange rate depreciation against the US dollar has been allowed or encouraged by many authorities.

Industry policy has been more ad hoc, with many governments focused on ensuring supply from essential industries, bolstering badly affected industries such as airlines, and stimulating sectors such as construction which promise a multiplier impact.

Overall, governments have significantly increased their role and size during the pandemic crisis functionally, technologically and legally, and this has longer-term implications. Emergency legislation has allowed for unparalleled closure of some (non-essential) economic activity and direction of some (essential) functions.

Beyond 2020 the IMF foresees some economic bounce-back, though that will depend on success in containing the virus and in rebuilding economic confidence. For much of the Asia-Pacific region it will mean a return to growth, though from a significantly lower production base, with high unemployment of labour and continued overcapacity in declining industries (though potentially higher productivity via digital expansion).

Renewed growth will bring its own policy challenges, possibly as early as 2021: how to stabilise economies with some strong growth sectors and pockets of recession, how to dial back on stimulus programmes, how to prevent resurgent inflation, how to reduce national debt, and how to share out the burden of paying for the crisis. This could involve unpopular political decisions, and test the governance of key economic institutions.

Business developments

The need to access urgent medical and other supplies during the lockdown

has exposed the complexity of modern containerisation, shipping, port-handling, warehousing and trucking arrangements. For the most part the freighting of essential supplies continued satisfactorily, both in New Zealand and in the region, despite reports of air cargo hold-ups, lack of containers, stocking problems and increased food wastage.

The crisis has exposed the network of complex, interlinked supply chain arrangements. Initially there were shortages stemming from the closure of production plants, especially in China. As a result, many companies have been re-mapping their input sourcing. They are reassessing their supply risks, rethinking their just-in-time stocking policies, building inventory, designing for resilience, simplifying supply chains, investing in remote tracking technologies, and in extreme cases onshoring production lines.

Certain countries are exerting political pressure to onshore, using the pandemic experience as an opportunity to reduce concentration on Chinese supply. Australia is reassessing whether it has become too dependent on Chinese export markets. Governments are considering local production of essential medical supplies and emergency medical stocks. Some East Asian countries are taking the opportunity to increase food stocks, to promote domestic food production, and to institute 'food sovereignty' policies with rice or wheat export bans. There is a risk that such policies will lead to a revival of agricultural protectionism in the region. In addition, Covid-19 has been used by the US as an excuse to prohibit export of certain technologies and supplies.

Particular economic sectors have been hit especially hard. Most at risk of disruption have been cross-border businesses involved in travel or hospitality, and, particularly, capital-intensive airlines, airports and aircraft production, where company valuations have been hugely hit. Other traditional public-facing services, many of them small to medium-sized enterprises, have been at risk during lockdown, and some will never recover, causing stress in the commercial property sector. Industries facing digital substitution (such as publishing and media) or distance substitution (education and travel) are also

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at imminent risk. It is not all bad news: some industries are growing strongly (digital communications, electronic commerce, tele-medicine). A consequence will be considerable sectoral churn, with job shortage and job vacancies occurring at the same time.

Some AI-enabled sophisticated factory production has continued without disruption through the lockdown and there have been advances in automated warehousing and inventory management. This experience will add pressure to continue to digitise much of the production and transport process (enhanced by the application of 5G and 6G technologies), potentially reducing industrial labour requirements. There may be a boost in the use of 3-D printing technologies to localise production.

New Zealand commodity production sits at the origin of export supply chains, and has felt less impact than some countries' exports. Food commodity prices have not been too badly affected so far. The swift suppression of domestic Covid-19 cases

could give New Zealand food exporters the advantage of advertising 'safe sourcing'. In small countries there is less scope to onshore production of essential supply; food production is ensured in New Zealand, but the government will likely increase emergency stocks of medical equipment.

People movements

The crux of the Covid-19 response has been quarantining and travel restrictions. Border control has become a front-line operation, with health officials in many countries becoming the first line of border defence (in contrast to the traditional primacy of immigration officials in Europe, security officials in the US and agricultural officials in Australasia). At-border freighting processes such as authorised economic operators and single window systems have had to adapt to this.

For travellers it is unclear how long the widespread disruption will continue, especially for international travel. It appears that Covid-19 will likely result in ongoing changes in business behaviour, fewer face-to-face transactions, less physical travel, a big increase in virtual meetings using Zoom and other technologies, and an increase in virtual conferences and trade shows. There has been a shift to digital marketing, digital ordering, digital payments, digital signatures and in some cases digital delivery.

The technologies used for isolation enforcement may increase state powers and reduce individual privacy rights, particularly following the success of some East Asian governments in controlling the pandemic. Chinese digital platforms already integrate communication, banking and digital purchase apps with location tracking and tracing, and Western systems may follow.

There will likely be a significant reduction in international tourist travel, with travel initially targeting safe, direct destinations within 'bubbles'. There will be a relative increase in domestic tourism in many countries, and perhaps development of sophisticated virtual reality travel options. The tourism sector may be burdened with stranded assets such as large tourist hotels and cruise ships, and encounter increased costs at airports.

Stressed health systems and infection fears mean that governments are becoming

less welcoming to foreign migrants. In New Zealand this has already had an impact on agricultural and seasonal labour supply. Conversely, small well-managed island countries like New Zealand may appear attractive boltholes for wealthy migrants.

It is more complex to predict the movement of New Zealanders. Some diaspora Kiwis working in professional services in host countries have returned. In the meantime, household composition has changed during the lockdown, house construction has slowed, and significant Airbnb space has become available on the rental market. Most forecasters see a reduction in house prices, which will affect household balance sheets and consumption.

There has been a huge increase in sophisticated digital distance teaching technologies at all levels in the education sector. As job prospects for the young dry up, there will likely be an increase in domestic tertiary enrolments. Conversely, there will likely be a reduction in international students (although there may be a 'safe country' substitution effect in New Zealand). If distance learning becomes the standard for international tertiary education, New Zealand universities may struggle to compete longer term with the superior branding of well-known international institutions.

Capital flows

There have been big swings in exchange rates and asset values during the crisis, but cross-border capital movements have continued unabated. The highly digitised finance sector, assisted by new fintech developments, has so far suffered little disruption from economy lockdowns.

The challenge ahead for the sector is to continue financing stressed businesses and

home mortgages, as non-performing loans increase and job loss widens. Following the global financial crisis, Western bank balance sheets have built resiliency with higher capital adequacy, tightened regulation and less risk from contagious financial instruments. A major industry failure (e.g. in the oil or airline industries) might be large enough to stress the financial system, but currently there is little sign of a GFC-type meltdown.

The insurance industry is suffering some stress from business disruption coverage, contract works insurance claims, travel insurance claims and other Covid-related risks. The reinsurance market appears closed to new pandemic insurance policies. The industry may not suffer major failures itself, but the inability to provide ongoing insurance coverage could stymie new business initiatives and construction developments. With its small market and seismic risks, New Zealand may struggle to attract competitive insurance quotes.

Overall impacts

Hidden beneath the stimulus programmes and funding mechanisms are some big socio-economic questions. The burden of the Covid-19 disruption, the economic costs of slow growth and the fiscal costs of government response programmes will fall unevenly. Young jobseekers, employees in affected sectors, shareholders, savers, homeowners, retirees and taxpayers are all affected in different ways. The length of lockdown restriction has become a political issue dividing the elderly, who face health risks, and the young who face job risks.

A major decision for governments will be how much of the cost should be borne by future taxpayers as they seek to reduce

long-term debt burdens. Countries are trying to avoid austerity approaches after the global financial crisis experience, but it is possible mounting public debt may leave them with little alternative. The New Zealand Budget envisages growth-led debt reduction, but this is unconvincing with public debt forecast to increase for eight years and then only slowly decline. Once the immediate health risks subside, Covid-19 could stress political systems and result in social dissension over who should pay. This comes at a time when intergenerational equity is already under severe pressure in the context of climate change.

Internationally, there are already arguments about Covid-19 cost burden-sharing among countries, so far led by US-China tensions. In time, arguments like this will likely raise developed country/developing country tensions (and in the case of New Zealand this may involve Pacific Islands relationships).

This has been a very unusual global crisis. We are still learning about its effects. But it is clear that some parts of economies have been heavily impacted, and many business, travel and governmental practices may change their modes of operation forever. Returning to the title of this article, Covid-19 does not spell the end of globalisation and neither does it portend a period of autarky, but it certainly challenges the way all our economies will interact in the future.

1 With apologies to Gabriel García Márquez.

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Public Health Aspects of the Covid-19 Response and Opportunities for the Post-Pandemic Era

Abstract

This article takes a public health perspective on New Zealand's pandemic preparations, its pandemic response, and the successful outcome (as of June 2020) of its Covid-19 elimination strategy. The health outcome appears to be the best in the OECD, but some other countries made better use of certain control strategies. In the post-pandemic era there are many emerging opportunities for society to be gained by embedding better plans for controlling future emerging diseases, strengthening public health infrastructure and consolidating the evident benefits of reduced pollution during the lockdown.

Keywords Covid-19, SARS-CoV-2, pandemic preparedness, pandemic response, public health infrastructure

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New Zealand was the first OECD country to eliminate Covid-19 within its borders. Nevertheless, the pandemic, and the response to it, had a massive societal-wide impact on New Zealand. This article takes an initial public health perspective on the pandemic experience (up to mid-June 2020) and then considers the emerging opportunities for advancing health and environmental protection in the future.

Was New Zealand adequately prepared?

In 2019, New Zealand was given a poor assessment of its pandemic preparedness, with a score of only 54/100 on the Global Health Security Index. This score seemed reasonable when analysed by New Zealand authors in detail (Boyd et al., 2020), given New Zealand's poorly developed epidemiology workforce and underfunded public health infrastructure. Furthermore, New Zealand had done negligible work on refining the border control aspects of its pandemic plan, despite calls for this in preceding years (Boyd et al., 2017; Boyd

et al., 2018). Other problematic signs were the lack of any Ministry of Health evaluation of the New Zealand response to the 2009 influenza pandemic or of how the country had failed to prevent a resurgence of measles outbreaks (Baker, Wilson et al., 2020).

Furthermore, while New Zealand had a plan for pandemic influenza, this was fundamentally the wrong plan for the Covid-19 pandemic. The influenza pandemic plan did not have guidance for other pandemics or the lessons from previous coronavirus pandemics (e.g., SARS) around being ready for developing a new laboratory test and being able to massively scale up contact tracing systems. This inappropriate plan contributed to New Zealand initially following a mitigation strategy ('flattening the curve'), with a resultant delay before the more appropriate 'elimination' strategy was eventually adopted (Baker, Kvalsvig et al., 2020).

Comparative outcomes

New Zealand's control of the pandemic was extremely successful when compared to that of other high-income countries (as of 15 June 2020). At this time the country had experienced just 22 deaths (4.6 per million population), and was the only OECD country to have achieved the elimination of community transmission of COVID-19. In comparison, Belgium had 832 deaths per million, the UK 611, Spain 580, Italy 566, Sweden 481, the US 346, Canada 213, Iceland 29 and South Korea 5.4 (Ritchie et al., 2020). Nevertheless, comparing it with other relatively high-income jurisdictions outside the OECD, New Zealand performance (for mortality) was poorer than Taiwan's (0.3) and Singapore's (4.3).

The successful control measures taken by New Zealand are likely to have prevented the pandemic from exacerbating pre-existing ethnic inequalities in health – with this differential having been seen for Māori versus non-Māori in three previous influenza pandemics (Wilson et al., 2012). Indeed, the high health burden from infectious diseases among Māori and Pasifika peoples in New Zealand (M.G. Baker et al., 2012) is a persisting contributor to such inequalities.

Table 1: Key control measures used to address the Covid-19 pandemic threat in New Zealand (with these largely working synergistically)

Pandemic control measure	Comment
Border controls – restriction to New Zealand citizens	By making use of such border control, New Zealand made good use of its remote island status.
Border controls – self-quarantine and then supervised quarantine at the border	There was an initial period of no effective monitoring or supervision of the voluntary home quarantine due to the inflow of travellers being uncontrolled (i.e., no limits were set on arrivals per day). This lack of supervision is likely to have contributed to additional secondary cases in the New Zealand community.
Marked physical distancing induced by lockdowns (at alert levels 3 and 4), with travel limited to essential workers and essential activities	This intense lockdown was probably essential given that other control measures were not well developed in March 2020. But it has probably had high social and economic costs (see below).
Contact tracing, with detected cases isolated and contacts going into quarantine	An officially commissioned report published on 10 April was highly critical of the performance of New Zealand's contact tracing system (Verrall, 2020). Another indicator of the system's limited quality was that 38% of large clusters (6/16) had no known source (29 May data). The lack of details on contact tracing performance is also one of the many limitations of the Covid-19 data presented on the Ministry of Health's website (Purdie, Wilson and Baker, 2020).
Testing of symptomatic people in the community (including some modest level of testing asymptomatic people)	After an initial slow start, New Zealand did reach relatively high per capita testing levels. But as of mid-June 2020 there was still no published official surveillance strategy for Covid-19.
Promotion of hygiene (hand washing and cough etiquette) and staying at home when unwell	Mask use may be more important in many situations (e.g., in indoor environments such as public transport), and New Zealand performed poorly with its lack of requirements for mask use (Wilson, Febery et al., 2020).

Pandemic control measures

The key pandemic control measures taken by New Zealand are summarised in Table 1. A striking feature was the rapid introduction of a package of intense 'lockdown' measures with a level of 'stringency' that was the highest out of all high-income countries (peaking with a score of 96.3/100, but also dropping markedly in mid-May to 36.1/100, with the equivalent scores for Australia being 73.2/100 and 64.5/100) (Hale et al., 2020). The lockdown move was a strong political decision by the government led by the prime minister, Jacinda Ardern, who was noted for the quality and frequency of her communication with the public (Cousins, 2020). But this decision was informed by science advice and modelling evidence – for example, from

epidemiologists (Wilson, Telford Barnard et al., 2020), modellers (James et al., 2020) and economists (Pallippadan-Johny et al., 2020). A range of prominent business leaders (e.g., Sam Morgan, Graeme Hart, Rob Fyfe, Stephen Tindall and Rodney Jones) also gave strong encouragement for the government to act. The relatively high trust that New Zealanders appear to have in scientific experts and officials (such as Ashley Bloomfield, the director-general of health) may also have helped ensure the extensive public support for the control measures as reflected in surveys and media discourse.

Comparative disease-control performance

Despite the success of New Zealand's elimination, it is possible that it could still have done better if it had been more

prepared. Indeed, with the benefit of hindsight, it is possible that New Zealand could have applied more effective border controls at an earlier stage and could have avoided such a less stringent lockdown. For example, Taiwan avoided an intense lockdown with its much stronger focus on rapid introduction of intensive border control measures, use of digital contact tracing and use of face masks (Wang, Ing and Brook, 2020). Some other high-income nations also made better use of particular interventions, such as the speed of adopting testing and the scale of its use in, for example, South Korea and Iceland.

Health in the post-pandemic era

The border closure and lockdown measures have had major societal and economic impacts, along with the global downturn in international travel and tourism. These have increased unemployment, and potentially housing/food insecurity (albeit with government responses to help minimise these). Increased levels of unemployment are associated with increased suicide risk (Stuckler et al., 2009) and job insecurity is associated with increased risk of cardiovascular disease (Virtanen et al., 2013). But there is also evidence that the overall impacts from recessions on health can be beneficial (Tapia Granados and Ionides, 2017), since lives are saved by reduced road traffic crashes, reduced occupational injuries, reduced tobacco affordability and reductions in air pollution.

Likely post-pandemic upsides for public health are an increased focus by the government and society on prevention and building public health infrastructure. This is much needed after decades of under-investment, as revealed by outbreaks of measles (Baker, Wilson et al., 2020) and the disaster in Havelock North with the world's largest waterborne campylobacteriosis outbreak (Baker, Wilson and Woodward, 2017). Also, there might be a greater willingness by the Ministry of Health to plan for future pandemic threats arising, for example, from both emerging zoonoses and synthetic bioweapons (Boyd, Baker and Wilson, 2020). The focus on personal infection control measures (hand washing, cough etiquette, physical distancing, staying at home when sick) may result in

... global institutions, such as the United Nations ... need to be strengthened so that we can better tackle climate disruption and other catastrophic threats, the two most critical potentially being pandemics from synthetic biology and that posed by artificial intelligence...

lasting impacts on New Zealand's high rates of serious infectious diseases (M.G. Baker et al., 2012).

A 'green reset'

The forced experiment of the lockdown on New Zealand society has shown how much 'normal' life contributes to air pollution (Longley, 2020). Indeed, the country had the second highest reduction in its carbon emissions (at 41% reduction) out of a group of 69 countries (Le Quéré et al., 2020). The New Zealand experience has also (at least for some) given insights into the benefits of walking and cycling on near-empty streets, working from home,

using videoconferencing to replace travel, and even home vegetable gardening. The challenge will be to embed some of these things in the post-pandemic world; for example:

- the expansion of investment by some local governments in walking and cycling infrastructure in towns and cities;
- support for the more routine use of videoconferencing and working from home (at least for some of the week) by employers in particular sectors;
- the more routine use of online healthcare consultations for perhaps a majority of these events.

Fortunately, the government's Covid-19 economic recovery package included a \$1.1 billion investment in projects contributing to a 'green reset'. These projects include waterway restoration, pest control and various nature-based jobs. Restoring waterways will have potential health co-benefits given that run-off from agriculture is associated with elevated nitrate levels in waterways (a potential cause of bowel cancer when such water is extracted for drinking (Schullehner et al., 2018)) and with zoonotic pathogens in waterways. Pest control might also have health co-benefits in terms of preventing zoonotic diseases (Wilson et al., 2018).

However, one of the greatest opportunities provided by the post-pandemic economic crisis is the opportunity for tax reform. Government revenue is projected to decrease over the next two years, while there will be pressure to maintain social spending. 'Green' and 'health-protecting' tax reform could allow the government to maintain such spending while reaping health and environmental co-benefits. These tax reforms could include a fertiliser tax (Wilson et al., 2019), a pesticide tax and higher carbon taxes. Higher taxes could be imposed on harmful commodities, including those on tobacco, alcohol and gambling, and new taxes on sugary drinks and junk food. Somewhat surprisingly, some of these taxes can actually be pro-equity, as low-income people are more price sensitive; low-income people experience disproportionately greater disease reduction from the tax-related consumption changes (due to higher

background disease risk); and these taxes can allow for reductions in income tax for low-income groups. For example, it is well established in systematic reviews that tobacco taxes are pro-equity (e.g., Hill et al., 2013). Also, when tax revenue is recycled to the community, these types of taxes can sometimes be popular with a majority of the population, as with British Columbia's carbon tax (Demerse, 2014).

Finally, at the international level the New Zealand government could make more of its success in eliminating Covid-19 to help build desperately needed international cooperation. Indeed, New

Zealand could lead efforts for collaboration among other island nations (in the Pacific and more widely) and share lessons around the response to Covid-19. This is particularly relevant for border control issues, which give islands a natural advantage for pandemic response. A key focus should be on strengthening the World Health Organization, and on coordinating international efforts to improve surveillance of Covid-19 and to produce a vaccine against it. This focus should also include preventing new pandemic threats by strengthening the Biological Weapons Convention,

eliminating the wildlife trade and abolishing wet markets. Other global institutions, such as the United Nations, also need to be strengthened so that we can better tackle climate disruption and other catastrophic threats, the two most critical potentially being pandemics from synthetic biology and that posed by artificial intelligence (Ord, 2020). Each of these threats requires a coordinated international response, as they cannot be effectively managed by individual jurisdictions acting alone.

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The size and suddenness of the COVID-19 shock has highlighted just how far New Zealand has allowed the welfare system to run down and become out-dated.

Michael Fletcher, IGPS Commentary, April 2020

How bad is New Zealand's freshwater quality? Worse than you think, if you've been trusting government monitoring to tell you ... Imagine a scientific study on the impacts of smoking which included the health outcomes of non-smokers and then claimed that many of those surveyed saw no negative effects. The idea is laughable; but that's essentially what NIWA has been doing

Sylvie Mclean, IGPS Commentary, June 2020

The Ministry of Works was dismembered in 1988...

Treasury's determination to kill off a competing public-sector empire threw away decades of accumulated experience, human capital, intellectual property, and organisational clout. The accompanying, still-persisting "public-choice" rhetoric against engineers as a self-serving bunch of rent seekers continues to impoverish our governmental capacity to deliver infrastructure projects.

Geoff Bertram, IGPS commentary, July 2020

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Institute for Governance and Policy Studies
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Peter Davis

Health Post-Pandemic necessity the mother of intervention?

Abstract

The Covid-19 pandemic has provided the ultimate stress test of the New Zealand health system, confirming known weaknesses, but also facilitating useful responses and changes. We discovered an effective centre, as well as regional cooperation, and IT enhancements may finally have their day. The financial stress of family doctors revealed our patchwork funding system, and privacy issues in the use of identifiers and matters of jealously guarded scope of practice in the workforce were exercised under pandemic conditions. Hospitals were able to function at 50% capacity, and deficiencies were revealed in the aged care sector. Finally, we avoided gross health inequalities. With a review of the system recently released, this experience may advance the cause of reform.

Keywords health policy, primary care, digital health, privacy, workforce, public health

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In August 2019 the panel of the Health and Disability System Review, chaired by Heather Simpson, published its 300-page interim report (New Zealand Health and Disability System Review, 2019). For anybody familiar with the sector, the report confirmed much of what we already knew: that is, while the New Zealand system performs adequately by international comparison, it is overly complex and lacks national coherence, its performance is not well monitored and enhanced, primary care and population health lag, digital technologies are underdeveloped and at odds with each other, there is a lack of responsiveness to Māori and Pasifika, and, overall, the system needs 'future proofing'. Perhaps surprisingly, pandemic preparedness was not an item of note, despite a recent international report placing New Zealand's 'health security' index score for public health emergencies well below international norms for a developed country (Boyd, Baker and Wilson, 2019).

The pandemic has provided the ultimate stress test of the New Zealand health system and, true to form, we 'muddled through', despite limited resources and a barebones pandemic

system, to a brilliant ‘just in time’ success with a mixture of luck (a small island state coming late to the crisis), outstanding political and bureaucratic leadership, sound if thin fundamentals, independent academic voices, superb professionalism on the ground in the district health boards, particularly from the general practice (GP) community, a touch of New Zealand ingenuity and improvisation, and strong public support.

In many respects the pandemic confirmed known weaknesses in the system, but it also facilitated a number of useful responses and forced some long-overdue operational changes which have the potential to form the basis of new, more productive and equitable ways of working.

Organisational

We rediscovered the centre. Aside from some minor missteps that were predictable in these rushed and unprecedented circumstances, daily we were witness to a coherent all-of-government approach that presented a strategic and operational presence in the health system that we had all but forgotten existed. May that sense of overall strategic direction and coordination continue.

Yet, for all the strategic and policy strength evident at the centre, the operational level demonstrated how far our decentralised health system has taken us towards quite a radical localism in the health system. Thus, the minister and the director-general were somewhat embarrassed in the early days of the pandemic when, under questioning from the media and the opposition, they could just not come up with an exact figure for the number of ventilators in the country. Similarly, part of the tardiness in providing essential public health information such as testing and contact-tracing results was down to the decentralised nature of local public health units that were not necessarily technically equipped or managerially oriented to assist the ministry with collating national figures in real time.

To balance this view from the centre, the experience I had as a DHB member in Auckland over the pandemic was that we were prompted to re-energise a regional community of interest. There has long been a formal cooperative working and

One genuine surprise in the wake of the pandemic was the news that family doctors were doing it tough as patients stayed away and virtual consultations were hard to charge for, with GPs laying off staff (including about 30 GPs closing their practices in Auckland).

planning arrangement among the three Auckland metropolitan DHBs and Northland. Under pandemic conditions this has necessarily been energised and strengthened to an unprecedented level. If the Health and Disability System Review were to go down the path of organisational rationalisation, one could envisage the emergence of a number (say, four–six) regional networks around the country, of which the Auckland metropolitan DHBs and Northland would be one fully operational working example. With these regional operational entities in place, together with a strengthened policy strategy centre with effective

implementation, we might just be getting the balance right for an effective structural reconfiguration of the health sector.

Enabling technology

One of the more depressing chapters in Health and Disability System Review report was the one outlining the failures and frailties of New Zealand’s health data and digital system, an essential enabling infrastructure for a high-performing healthcare system. Among the issues canvassed were: the failure to use the National Health Index (NHI) to its full potential; the lack of integration and operability across different data and information systems; the multiple customised applications and ‘work arounds’; the great number of small and competing vendors providing IT solutions and services; the technical silos between and within 20 DHBs; and, above all, the lack of consistent leadership and the failure to implement key strategic plans and opportunities over the last 20 years.

We have been waiting for these enabling technologies to deliver on their promise in New Zealand, and it looks as though the pandemic may finally force the pace of change and uptake to meet their full potential. While the patterns are evident in New Zealand, a lot of the evidence comes from the United Kingdom, where the ratio of face-to-face to virtual consultations in general practice has flipped from about 75:25 to the reverse (Royal College of General Practitioners, 2020). Furthermore, family doctors there have been asked to move to a triage-first model of care and the UK government is purchasing online triage tools for those without. In addition, 11 digital health suppliers have been selected to provide online primary care consultations. It has also been estimated that these techniques could reduce face-to-face hospital outpatient visits by a third (Reed, 2019). There is even an Australian platform to achieve flexibility in outpatient visits called Attend Anywhere. It is being implemented in the UK (Rapson, 2020).

Funding family doctors

One genuine surprise in the wake of the pandemic was the news that family doctors were doing it tough as patients stayed away and virtual consultations

were hard to charge for, with GPs laying off staff (including about 30 GPs closing their practices in Auckland). These are highly unusual circumstances, but it does highlight the one remaining major weakness in our health system – the lack of a long-term funding model for general practice. We are almost alone, along with the United States and Ireland, in our dependence on patient out-of-pocket payments. Such has been the pressure that many practices have been facing insolvency and a good number are being bought out by corporates. We are in danger of seeing a shift from a professional, albeit small-business, model of primary care to one that may well become corporate-driven with stronger commercial imperatives.

We should extend ACC to cover non-accident cases in primary care, similar to what Australia did via a levy back in the 1970s. Eighty per cent of doctors there accept the system, and care is free for their patients. We could boost our capitation system and incentivise family doctors to keep people out of hospital. In an ideal world we would do much more to shift our funding systems from a reliance on a narrowly based and fiercely contested tax system to a much more broadly-based social insurance scheme.

A positive outcome of the pandemic in the Auckland region has been the ability of family doctors to work well in networks. While there are some larger practices, many are small – even solo – and could be unviable on their own in circumstances out of the routine (e.g. regarding equipment, after-hours care, staff sickness, support staff). The UK is introducing primary health networks to service populations of about 50,000 (Murray, 2019). We should do something similar with, say, primary health and social care organisations, which would be enhanced practice networks, the principal objective of which would be to nurture the health, well-being and social care needs of their designated practice populations and keeping them out of hospital.

Privacy issues

One of the knotty issues brought to the fore by the pandemic has been rights of access to personal and patient details in the course of combating Covid-19. The

It was striking that, in conditions of the pandemic emergency, we could reduce the inpatient hospital occupancy rates from the usual 95% over weekdays to the weekend rate of 50%; and also free up our intensive care beds.

privacy commissioner has been involved.

Our NHI number is a jewel in the crown of our health infrastructure, and yet we are hampered in our use of it due to privacy issues. In the context of the pandemic, Northland DHB, along with primary health organisations, was using the NHI to target vulnerable populations for flu vaccination. We need more of this, if we can get these issues resolved. This would allow us to ensure the comprehensive nature of enrolment with family doctors and the related capitation, call-back, screening and outreach systems, ensuring that disadvantaged groups are well represented in proportion to their numbers in the population.

Hospital capacity

It was striking that, in conditions of the pandemic emergency, we could reduce the inpatient hospital occupancy rates from the usual 95% over weekdays to the weekend rate of 50%; and also free up

our intensive care beds. This is heroic and marvellous, and, although a lot of this was due to deferred elective care and delayed patient presentation, it also suggests that we could be a lot smarter about the way we use these scarce resources in normal times, and maintain our current international benchmarks rather than building more beds.

For example, the UK faculty of emergency medicine, has argued that the pandemic was a sign that we could do without relying on hospital emergency departments as backstops to failures in the primary care and community-based care systems. Ambulance crews and other first responders should be able to triage requests for help so that only the acutely unwell and those for whom time-critical care is required are delivered to hospital (Royal College of Emergency Medicine, 2020).

Recently, Auckland was offered substantial capital funding for the children's hospital, and yet 30% of admissions among the under-fives are treatable at the community level. Furthermore, the scheme to fund doctors to treat cases that might otherwise be hospitalised could be developed further. Add to this the much higher proportion of procedures that could be performed on a day-stay basis and the striking fact that nearly 20% of hospital bed days can be accounted for by preventable treatment errors in a small fraction of patients, and you can see the potential for greater efficiency and demand reduction.

We need to become less reliant on costly hospital structures, and move to a model that can provide the same services, but 'closer to home' – at the level of family doctor, health centre and other services that are intermediate between hospital and community. An unexpected example of this has been the reported greater number of home births since the pandemic started. Despite New Zealand having community-based midwives, births still remain firmly hospital-based. Could the pandemic encourage a rethink here? Also, 'hospital in the home' is another viable option that merits much greater development (Hensher, Rasmussen and Duke, 2020).

This approach to a less hospital focus is already working overseas. For example, Denmark – a country of a similar

population size – has reduced the number of hospitals over the last 20 years from 98 to 32. This involved moving to a greatly expanded primary care system (Margo, 2019). Another example: the UK National Health Service uses over three times the number of acute hospital bed days for over 65s compared to the Kaiser Permanente in the US, a large non-profit, primary care-led organisation that uses active clinical management by cooperating specialists and primary care doctors (Ham et al., 2003).

Scope of practice

With the sudden pressure on existing staff, DHBs have been seeking temporary extensions to individual scopes of practice under the Health Practitioners Competence Assurance Act 2003 to allow greater flexibility of deployment under these extreme conditions. Can we continue this search for flexibility of practice? This should apply not just in hospitals but in primary care as well.

One of the most surprising things to learn in my brief time on the Auckland DHB is how the staff shortages that are hampering normal business are not among nurses and doctors (although those exist), but among technicians. There is a multiplicity of these and they all have their own fiefdoms of training and practice that are hard to change, that can block recruitment from overseas, and in many instances are hard to justify. On top of that we have been dogged by industrial action among these groups. This can be crippling.

Performance and quality, including in the aged care sector

The aged care sector needs a thorough review. The DHBs have very limited powers to check the quality of care in this sector. Furthermore, families have very little objective quality of care information to go on in deciding where to place an elderly relative.

More broadly, one might advocate for some authority to publish public information about the quality and performance of all our publicly funded healthcare agencies. We just do not have adequate public information about how well our healthcare delivery system is performing, including the efficiency of its

We have inherited some useful tools from those earlier periods of experimentation, including cost-utility analysis used at Pharmac to evaluate new drugs, clinical priority assessment criteria (CPAC) to guide clinical decision making, and WIESNZ, the cost weight methodology for hospital case-mix funding.

operations, the effectiveness and quality of its work, and its impact on equity (Davis et al., 2013). No public agency has this task. Perhaps the remit of the Health Quality and Safety Commission could be broadened so that patients and taxpayers could be better served with some key, internationally benchmarked performance indicators?

Public health and health inequalities

You don't miss public health – until you miss it. The country has been very fortunate during the Covid crisis that it

has a stellar public health professional leading the Ministry of Health. This in part makes up for the erosion of key infrastructure and its radically localised nature under our existing DHB structure. This is quite aside from dealing with the coming epidemics of diabetes and obesity.

One of the most positive outcomes of the pandemic has been the failure of ethnic and socio-economic inequalities to emerge in the way they have in other countries, such as the US and the UK. Although their health circumstances were likely set back by the pandemic, disadvantaged ethnic minority and lower socio-economic groups were not disproportionately infected by Covid-19 in New Zealand. The disease was brought to this country by members of the public travelling internationally. These tended to be younger, more affluent, and predominantly Pakehā. Indeed, Pakehā contributed 70% of all reported infections, matching their proportion in the population, and the virus clusters identified by the Ministry of Health largely represented ethnic and socio-economic networks related to this original source group (except for the largest cluster at Auckland's Marist College, an institution with a large Pasifika and Māori enrolment). Putting aside the unusual nature of a predominantly infectious disease epidemic, what this suggests is that inequalities of ethnicity and socio-economic status, while stable and enduring, are not 'carved in stone' and can be modified if we are able to shield institutional and dense populations, and reduce differentials in exposure to health risks and in access to care as we move quickly to provide preventive, curative and rehabilitative services according to need.

Conclusion: why did it need a crisis?

Many of the changes prompted by the pandemic and outlined here as possible ways to the future in the health system have long been championed by independent observers. But the need has never been sufficiently acute to overcome professional inertia, the short-term horizons imposed by the electoral cycle, political timidity, weaknesses in strategic direction and effective change, the radical localism of the current DHB system, and the usual 'push and pull' of powerful special interests

and public sentiments that dominate the everyday politics of healthcare in New Zealand. Perhaps this time will be different and we will see some worthwhile changes in practices and policy.

One evident weakness in the sector has been the lack of analytical capability (including any epidemic modelling in humans). At one time the Department of Health (as it then was) hosted the Management Services and Research Unit, which did essential analytical and planning work for the sector. This unit was disbanded while governments experimented, first with the forces of the market and business acumen in the 1990s, and then with local democratic accountability and professional leadership in the 2000s. We have inherited some useful tools from those earlier periods of experimentation, including cost-utility analysis used at Pharmac to evaluate new drugs, clinical priority

assessment criteria (CPAC) to guide clinical decision making, and WIESNZ, the cost weight methodology for hospital case-mix funding. Yet, for all that, our analytical, planning and management capabilities could still be better.

Take the UK, for example. In the wake of the pandemic three major health policy charities – the King’s Fund, the Nuffield Trust and the Health Foundation – have formed an analytical collaborative to work with the NHS on providing analytical and planning expertise (Strategy Unit, 2020). We have nothing to compare in New Zealand, particularly since the Health Research Council shifted the funding goalposts in such a way as to make large-scale independent, non-clinical health systems and policy research almost impossible to undertake.

In the last year our healthcare system has had to deal with a series of external

shocks – the dead and wounded from the Christchurch mosque attack, the horrific burns from the White Island eruption, and now Covid-19. The system has shown remarkable resilience and responded brilliantly. And then it has returned to business as usual. This time, with a recently completed review of the system, can we take on some of the lessons learned from new ways of working and responding, and apply them to thoroughly future-proof our healthcare arrangements?

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Peter Crampton, Don Matheson
and Maria Cotter

Assessing the Design and Capability of Our Public Health System in a Covid and Post-Covid New Zealand

Abstract

New Zealand's public health response to Covid-19, while effective thus far, has raised questions about our country's public health capability and capacity, our ability to respond to public health challenges, and our ability to protect Māori communities from bearing the brunt of inequitable outcomes. The aims of this article are to identify and discuss some of the challenges that

face New Zealand's state-mandated public health institutions, and to explore criteria for assessing the capability of these institutions. There is no universal standard approach to the design of public health institutions, systems and structures; a variety of different configurations would work in any context and their effectiveness is strongly influenced by national history, and the prevailing policy and political culture. In order to assess the ability of our public health institutions to effectively respond to a diverse array of challenges, we propose a capability framework consisting of ten key elements.

Keywords public health, capability, New Zealand, health system, Covid-19

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The aims of public health are to protect, sustain and improve the health and wellbeing of whole populations or defined groups within communities. It focuses on preventing avoidable disease, injury, disability and death, while promoting and maximising a healthy and sustainable environment for current and future generations (Committee of Inquiry into the Future Development of the Public Health Function, 1988; Public Health Association of Australia, 2018). Paradoxically, the successes of public health are often marked by invisibility or absence, such as the absence of smallpox and polio, or the absence of health inequities.

In New Zealand, public health has a fundamental role in achieving Māori health gains and, more broadly, health equity objectives for all groups in society (for a definition of equity see Ministry of Health, 2019; New Zealand Health and Disability System Review, 2019). The contemporary and historical experience of Māori with pandemics, and infectious diseases in general, is shocking and forms a crucial part of the context for the public health response to Covid-19 (Health Quality and Safety Commission, 2019; Rice and Bryder, 2005; Simpson et al., 2017).

New Zealand's public health response to Covid-19, while effective thus far, has raised questions about our country's public health capability and capacity (Baker et al., 2020), the technical capacity to control Covid-19 after the lockdown measures have been relaxed (Verrall, 2020), and our ability to respond to public health challenges in general (Baker et al., 2020; Partridge, 2020). Also questioned has been our ability to protect Māori communities from bearing the brunt of inequitable outcomes (Jones, 2020; King et al., 2020).

Modern threats to public health go beyond new and emerging infectious diseases, and include a wide range of commercial products that may harm health (for example, poor quality food and water, alcohol, tobacco, guns), and the conditions in which people live, work and play that shape their opportunities for health (Commission on the Social Determinants of Health, 2008). With an understanding that good health is not evenly distributed across populations, public health aims to address inequities, injustices and denials of

The capacity and capability of the Ministry of Health itself relative to the rest of the sector shrank ... with the loss of institutional thought leadership in Māori health with the dismantling of the Public Health and Māori directorates, and the loss of public health analytical capacity with the demise of the Public Health Directorate and its Public Health Intelligence section.

human rights, which so often explain large variations in health outcomes locally, nationally and globally (United Kingdom Public Health Association, 2020).

Now is a good time to review the design of our public health infrastructure. In this article we identify and discuss some of the challenges that face our state-mandated public health institutions, and suggest a

framework for assessing the capability of these institutions.

Challenges facing our public health system *Debate about the core functions of public health*

Resilient public health systems are needed globally and within each country. However, the reality consists of fragmented, variable and incomplete public health services and functions, with little common understanding of what a good public health service looks like (Lomazzi, 2016).

Internationally, frameworks have been developed to provide a common vocabulary for public health and a common understanding of the essential components of a highly effective public health system (Centre for Disease Control and Prevention, 1994; Lomazzi, 2016; Williams, Garbutt and Peters, 2015; World Health Organization Regional Office for Europe, 2015). In New Zealand, the Public Health Clinical Network established a framework for New Zealand which consists of five core functions: health assessment and surveillance; public health capacity development; health promotion; health protection; and preventive interventions (Williams, Garbutt and Peters, 2015). At an international level, the World Federation of Public Health Associations in collaboration with the World Health Organization (WHO) developed a Global Charter for the Public's Health in 2016 in an attempt to generate consensus regarding the essential elements of a comprehensive public health system (Lomazzi, 2016). The charter brought together the best of existing models into a framework that can be applied globally and within individual countries, whether low, middle or high-income, to assess comprehensiveness, capacity and performance. It sets out the three core services (protection, promotion and prevention) and four enabler functions (governance, capacity, information and advocacy).

The key difference between the New Zealand Public Health Clinical Network model and the global charter is that the global charter includes two additional components: governance and advocacy. Governance functions are described as incorporating: public health legislation; health and cross-sector policy; strategy;

financing; organisation; and assurance – transparency, accountability and audit. The advocacy functions incorporate: leadership and ethics; health equity; social mobilisation and solidarity; education of the public; a people-centred approach; voluntary community sector engagement; communications; and sustainable development. Governance and advocacy are critical functions, and we recommend that they be explicitly included in New Zealand's set of core functions.

Under-resourcing and outsourcing of public health services

During the period 2005–10, partly in response to a meningococcal outbreak, spending in Vote Health on prevention and public health services grew 9.9% per year, 1.9 percentage points above the growth of the rest of the sector (Ministry of Health, 2012). From 2010 to 2018, when the global financial crisis dominated public life, public health purchasing shrank by 50% in actual dollars, and from 3.6% to 2.1% of Vote Health expenditure (Treasury, 2015, 2019).

The capacity and capability of the Ministry of Health itself relative to the rest of the sector shrank in this latter period, with the loss of institutional thought leadership in Māori health with the dismantling of the Public Health and Māori directorates, and the loss of public health analytical capacity with the demise of the Public Health Directorate and its Public Health Intelligence section. This latter function has been outsourced partly to universities (see, for example, Massey University, 2020) and to international consulting firms, which are playing an increasing role in the Ministry of Health's policy and strategy leadership (see, for example, PwC New Zealand, 2020; EY, 2020).

The low status and low bargaining power of public health within health organisations

A number of factors drive the under-resourcing of public health. Within health services themselves, public health is a poor relation. Hospitals dominate the sector (World Health Organization, 2008), as well as the public's perception of which part of the health sector has most impact. Much of the public and political

The challenge now is for successive governments to maintain a focus on building and maintaining strong public health infrastructure so that New Zealand is able to respond effectively to its Tiriti o Waitangi commitments, the equity agenda, the slow burning epidemics (for example, obesity and tobacco harm), and future public health threats and emergencies.

discourse around Covid-19 preparedness has tended to centre on ICU bed numbers, personal protective equipment and ventilator availability; less on the readiness of the public health response, despite no health service in the world having the surge capacity in its hospitals to treat the exponential growth of afflicted persons.

Government's difficulty maintaining a sufficient focus on public health

Governments' ability to maintain sufficient focus on and skills and resources for public health is a challenge. This is particularly so when years and sometimes decades separate major crises and, in the absence of a crisis, there is societal memory loss of infectious diseases and their consequences, resulting in waning support for public health.

The tension between public health approaches and some current political movements

Support for this quintessential public good is strongly influenced by broader considerations of the role of government (Rashbrooke, 2018). In the 1840s Virchow argued that 'politics is nothing but medicine on a grand scale' (Mackenbach, 2009). When public health engages in politics it encounters stiff resistance in modern democracies from the rise in populism and the widespread acceptance of neo-liberalism. Populism seeks to divide society and politics into two antagonistic camps – one being 'true' or 'authentic', the other being elitist (Moore, 2017), parasitical, undeserving if poor, foreign and against the interests or lifestyle of the majority. Neo-liberalism seeks to reduce the size of the state and support private enterprise in a minimally regulated environment (Mutman, 2017). Public health is a science-based and expert-led discipline, hence a target for being characterised as elitist by populists; it is quintessentially 'public', and uses regulation as a tool, an anathema to neo-liberals. Not surprisingly, the politics of populism and neo-liberalism often converge in their negative characterisation of public health, such as calling it the 'nanny state' (Crampton, Hoek and Beaglehole, 2011).

The well-resourced opposition to public health from commercial interests whose products and services are threatened by public health activity

The interests of commercial organisations that produce and market products such as health-damaging food, tobacco and alcohol are in opposition to the objectives of public health. The tension between these opposing interests is mediated through our democratic processes, which are vulnerable to the highly-resourced lobbying and influence of large commercial entities (Swinburn et al., 2019). Within the context of the political movements referred to above and Westminster-style politics, public health has a continuing struggle to implement effective policies that promote population health.

Institutional racism

New Zealand's constitutional arrangements, its state institutions and its laws and policies arise out of a context of

Table 1: Framework for assessing the capability of the public health system in New Zealand

Capability	Explanation
Government mandated power to protect public health	In order for the health of the public to be protected, the system must have a legislative, regulatory and resourcing framework that enables effective public health intelligence capacity, policy development and implementation.
Ability and capacity to give effect to te Tiriti o Waitangi, and address institutional racism	In order to effectively achieve both Tiriti commitments and health equity goals for Māori, Māori public health leadership, expertise, decision making and involvement must be built into public health functions at all levels of the system. There is a need for expert Māori leadership to be involved in governance and management to review and, where necessary, realign existing public health programmes in terms of their criteria, funding and implementation, to develop and support new Māori-specific health promotion and prevention programmes, and to lead Māori workforce development.
Ability and capacity to exercise central leadership	The system must have a critical mass of population health expertise at the centre to provide free and frank advice to government, lead strategy and public health workforce development, carry out statutory functions, and, when necessary, direct public health policies and purchasing responses.
Ability and capacity to build and maintain public legitimacy	In order for public health to be effective it needs to address the health priorities and concerns of citizens, particularly the most marginalised. Public participation in public health systems and structures needs to be a fundamental part of the design. Public health must conduct itself in a transparent and accountable manner, independent of vested interests. It needs to strive to ensure that its activities remain connected with the concerns of ordinary citizens.
Ability and capacity to maintain strong international links	New Zealand supports international treaties and agreements that have significance for public health. As has been demonstrated during the Covid-19 pandemic, international cooperation, or lack thereof, bears heavily on the capacity of nations to respond to major public health threats. A commitment to meeting global responsibilities is crucial.
Ability and capacity to work across sectors	To work effectively, public health must engage with other sectors, nationally and locally. Given that in large part the social, economic and commercial determinants of health are primarily influenced by social and economic policy settings that are not in the control of the health sector, central public health leadership must be embedded within the machinery of government (for example, the Treasury's wellbeing focus in the Living Standards Framework: Treasury, 2020) in order to influence multiple policy agencies – as, similarly, public health leaders in, for example, NGOs and universities are supported and encouraged to work across social policy sectors.
Ability and capacity to provide public-facing thought leadership	The system must have the capability to produce independent, authoritative public health research, reports and policy think pieces in order to inform the public and the policy community. This must include the ability and capacity to bridge the gap between citizens and the science of public health. The thought leadership function should in part be exercised from within the system's central leadership structure, but, we argue, there is in addition a need for authoritative public-facing advice that is independent of government. A variety of institutional arrangements currently contribute to the fulfilment of this function – for example, universities and NGOs – and it could be strengthened with an independent statutory authority (for example, an officer of Parliament or independent commission).
Ability and capacity to effectively respond to public health threats at the national, regional and local levels	The system must have a coherent, coordinated, synergistic set of structures at central, regional and local levels, with clear leadership and accountabilities. The capacity of the public health system to behave as an integrated whole is crucial in responding to national threats to the public health. A modest level of inbuilt redundancy and planning for surge capacity are important elements.
Ability and capacity to influence the strategy and operations of the entire health delivery system	In order for population health gains to be achieved in a systematic way and for health equity objectives to be achieved, public health intelligence and public health strategies must drive all levels of planning and commissioning of the health system. In practice this means that expert public health input is required at governance, management and operational levels throughout the system.
Ability and capacity to provide comprehensive and timely public health information to inform action	In order to be effective, public health should provide a stewardship role over the health information system, protecting its status as a public good. This requires a well-integrated, publicly accessible system for the ongoing collection, analysis, interpretation and dissemination of information/data/analyses to assess health and disease trends, threats, risk factors and influences to inform action.

settler colonialism (Palmer and Butler, 2018). One of the underlying ideologies of colonisation, white supremacy, and consequential institutional racism has in many respects served to relegate and denigrate te Tiriti o Waitangi and crush aspects of Māori wellbeing. In order to be effective, public health agencies have to systematically theorise and dismantle the institutional racism that exists in the policymaking process at all levels within the health system (Came, 2014; Came, McCreanor and Manson, 2019). As things currently stand, there is a lack of awareness, expertise and drive within state institutions to effectively address institutional racism and greater focus and effort are required to bring about transformation.

A framework for assessing public health capability

The Covid-19 pandemic and the likelihood of future similar national and international calamities, along with the immense public health challenges associated with global climate change, health inequities, and the social, economic and commercial determinants of health (Bixby et al., 2019; Swinburn et al., 2019), together point to the need for a framework for assessing the capability of our public health infrastructure and institutional arrangements. The WHO joint external evaluation process assesses countries' capacities to respond to public health threats (as part of the implementation of the international health regulations), but, while extremely comprehensive, it only scrutinises certain aspects of public health (World Health Organization, 2005).

A recipe book approach is not possible, as there is no agreed industry-standard

blueprint for core public health infrastructure. Different institutional arrangements have been demonstrated to be effective, or not, in different political, country and cultural settings (see, for example, Community and Public Health, Canterbury District Health Board, 2019; Boswell, Cairney and St Denny, 2019; New Zealand Health and Disability System Review, 2019), and views vary considerably as to the optimal configuration of institutions and services (Baker et al., 2020; Kriebel, 1996; Skegg, 2019). In any event, the extraordinary challenge that the Covid-19 experience delivered to the New Zealand health system has reinforced the value of a critical mass of public health institutional capacity and capability at the centre of our health system to exercise public health leadership and stewardship.

Informed by international examples, the history, strengths and weaknesses of our current system, and local circumstances, we propose the ten key elements as a capability framework for the government's public health institutions in New Zealand (Table 1).

Conclusion

Covid-19 has thrown public health into the spotlight, and in New Zealand we have witnessed public health science leading political decision making. The challenge now is for successive governments to maintain a focus on building and maintaining strong public health infrastructure so that New Zealand is able to respond effectively to its Tiriti o Waitangi commitments, the equity agenda, the slow burning epidemics (for example, obesity and tobacco harm), and future public health threats and emergencies.

There is no universal, standard approach to the design of public health institutions, systems and structures; a variety of different configurations would work in any context and their effectiveness is strongly influenced by national history, and the prevailing policy and political culture. Nevertheless, it is essential that we assess the capability of our public health system to respond to this diverse array of challenges; to this end we have summarised the core functions of public health and suggested a capability framework to guide the design of our state-manated public health institutions.

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Māori Responses to Covid-19

Abstract

Māori infection rates from Covid-19 are perhaps the only example in Aotearoa New Zealand's contemporary history where Māori have achieved better social outcomes than non-Māori. This remarkable, and unanticipated, outcome is potentially a golden precedent for policymakers if we can determine the critical factors that reversed embedded trends of disproportionate disadvantage. This article argues that, while the national lockdown and science-based approach were important enablers of these outcomes, the nationwide Māori response to Covid-19 should also be recognised as critical. It describes the key components of the Māori response to Covid-19 and argues that, in composite, the Māori response demonstrates the value and positive impact of 'strengths-based' policy at scale, as well as providing insight into key policy settings that would enable the positive outcomes in respect of Covid-19 to be replicated across other important policy areas.

Keywords Māori, strengths-based policy, self-determination, community pandemic response

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In early March 2020, most crystal balls would have predicted that Māori would experience disproportionately higher rates of infection and mortality from Covid-19; some commentators were forecasting a mortality rate twice that of non-Māori (Newton, 2020). The nature of Māori health inequities alone establishes a reasonable expectation that the inequity pattern replicates as new health issues arise. This was exacerbated by Māori having a distressingly high prevalence of risk factors for Covid-19 (World Health Organization, 2020), including diabetes (50% higher rate than non-Māori for type 2 diabetes), cardiovascular disease (mortality rate twice that of non-Māori), chronic respiratory illness (three times the rate of non-Māori) and cancer (1.5 times the mortality rate of non-Māori) (Ministry of Health, 2018). However, as at May 2020, Māori had remarkably low rates of Covid-19 infection: approximately 8% of confirmed cases, far below the 16.5% they make up of the national population (Ministry of Health, 2020). Identifying the factors that led to this desirably atypical outcome should be a priority for policymakers, as it is one of the few

occasions in contemporary history when stubborn trends of disproportionate disadvantage have been displaced by positive variance. Equally, it is arguable that those success factors ought to be woven across wider government policy to reverse existing patterns, prepare for future shocks (pandemics or otherwise) and, importantly, catalyse substantive advances in well-being for Māori and the nation. This article summarises Māori responses to Covid-19, drawn from publicly available information and a nationwide survey with over 300 Māori respondents; this is followed by our identification of critical success factors and recommendations for future policymaking.

We argue that, while the macro-level government policy settings were a prudent enabler of positive outcomes for Māori, the pivotal factors were Māori mobilisation and self-responsibility. In our view, Māori Covid-19 responses and outcomes tangibly demonstrate the strengths-based approach at scale and underscore progressive transition to a distinctive era of Māori practising localised self-determination. Policy responses to Covid-19 adopted a mixed response to Māori self-responsibility. At times this created an awkward and politicised (Hurihanganui, 2020a) lacuna, which could be remedied in future policymaking if there is deeper understanding of the mechanisms and positive value of strengths-based Māori solution-building.

Māori responses to Covid-19

Māori responses to Covid-19 fall within four broad categories: cultural adaptation, social cohesion and information channels, distributive networks and community protection.

Cultural adaptation

Cultural adaptation began in early March, exemplified by a Ngāti Kahungunu meme to replace hongis with the 'Kahungunu wave'. Recalling Ngāti Kahungunu's eponymous ancestor's practice of raising his eyebrows, the iwi encouraged members to revert to this old practice in place of hongis, stating that 'tikanga demands that we do what's tika or what's right for any occasion. Don't be naive, do the "Kahungunu Wave"' (Ngāti Kahungunu Iwi Inc, 2020). Marae

Māori channels were shown during the lockdown to have reached those who may have been unreachable by other parties, and commonly to have had a pre-existing level of trust that enabled higher-quality engagement and more effective outcomes.

across the country developed pandemic plans that adapted their specific tikanga and kawa to the dynamics presented by the pandemic (Hayden, 2020), and Māori developed guidance on tangihanga during the lockdown period that subsequently informed government policy (McLachlan, 2020).

These examples are important in two key respects. First, they reinforce a perception that Māori are intentional and proactive in adapting tikanga where there is just cause. Practices embodied in tikanga are reflexive, context-dependent expressions of deeper values (Williams, 2001). Where circumstances challenge those deeper values, such as the threat to whakapapa posed by Covid-19, it can be expected that Māori will actively evaluate and, if warranted, adapt tikanga. Spreading this perception across government is likely to enhance future policy responses and

avoid failed, potentially antagonistic outcomes such as the initial level 2 tangihanga guidelines.

Second, these examples reflect what social scientists refer to as institutional transformation. Institutions are theorised as a sense of a shared understanding that has normative force (Lawrence and Phillips, 2019). Tikanga, under this approach, is an institutional system which contains a number of discrete institutions, such as tangihanga and hongis. Social scientists recognise that changing institutions requires discursive legitimacy (a perceived right to speak on institutional change) and culturally resonant framing (drawing from shared cultural repertoires) (Dorado, 2005; Tracey, Phillips and Jarvis, 2011). Arguably, the successful Māori-led changes to tikanga reflected these components, whereas the level 2 tangihanga guidelines did not. Future policy may benefit from heeding the paired insights that not only are Māori proactively engaged in institutional transformation; Western knowledge theorises that only Māori can do this work.

Social cohesion and information networks

Māori networks were highly active as channels conveying information and maintaining a sense of community throughout and beyond the lockdown period. Existing networks, including iwi, hapū, marae, Whānau Ora commissioning agencies and pan-Māori organisations such as the New Zealand Māori Council, were critical in ensuring information on government and other support reached Māori communities. New organisations also emerged, such as #Protectourwhakapapa, a grassroots response that was motivated by the view that there was a lack of information that engaged with, or was relevant to, whānau (www.protectourwhakapapa.co.nz).

Māori networks were also rich with uplifting and community-building content, from haka challenges (Te Ao Māori News, 2020) to prominent vocalists releasing a dedicated waiata (Retisma, 2020), nightly karakia by video-link that anyone could join, and beyond (Hurihanganui, 2020b). Te Pūtahitanga o Te Waipounamu led the #Manaaki20 campaign, which included daily interviews with prominent local community champions and was anchored

by a web platform that aimed to promote a manaaki movement through whānau sharing inspiration and resilience-building insights (<https://www.manaaki20.org>).

These networks were also commonly bilateral, with Māori organisations collecting data and insights into Māori community needs during the lockdown period. For example, Te Pūtahitanga o Te Waipounamu collected insights into the needs of over 18,000 Māori (Te Pūtahitanga o Te Waipounamu, 2020), and Ngāi Tahu phoned all registered kaumātua to identify their needs.

Māori channels to distribute information, build communities and collect insights are important for two reasons. First, they are a further demonstration of innovation within Māori communities. Face-to-face engagement is particularly important under tikanga Māori, but was obviously inappropriate for the Covid-19 response. Digital tools may have a more prominent place in future policy and community processes, noting that the digital divide is real. For example, Te Pūtahitanga o Te Waipounamu found that 23% of whānau they engaged with did not have access to the internet. Second, channels and access barriers are recognised as one of the key contributors to inequity outcomes: many Māori either cannot access or will not access mainstream services, because of practical barriers, such as inadequate transport, experiential barriers, such as encountering systemic bias, or perceptual barriers, such as that the service 'doesn't fit'. During the lockdown Māori channels were shown to have reached those who may have been unreachable by other parties, and commonly to have had a pre-existing level of trust that enabled higher-quality engagement and more effective outcomes.

Distributive networks

Māori networks distributed a phenomenal amount of food and practical resources to Māori communities across the country during the lockdown period. For example, Ngāpuhi distributed 8,000 kai packs (de Graaf, 2020), Waikato Tainui 5,000 kai packs (Tantau, 2020), and Te Pūtahitanga o Te Waipounamu 1,734 kai packs. Te Pūtahitanga also distributed 1,371 grants for home heating, 1,104 data

The Māori response to Covid-19 ... included ... Iwi checkpoints in Taranaki, on the East Coast and in Northland ... [that] involved iwi volunteers, supported by local police, stopping cars to query whether the occupants were complying with level 3 restrictions on inter-regional travel.

supports, 600 devices to enable digital connectivity and 25,000 hygiene packs. It is disappointing that there was no centralised stocktake of the volume of resources distributed by iwi and Māori organisations.

The scale and nationwide reach of these distributive networks is, in our view, a notable achievement that carries three particularly salient insights. First, rapid and expansive distribution of resources is not unique to the Covid-19 response. Recent disasters, such as the 2011 Christchurch earthquake and 2016 Kaikōura earthquake, saw the mobilisation of comparable distribution networks,

albeit regionally focused. Following the 2011 earthquake, the Māori Recovery Network reached 10,000 whānau in the worst-affected suburbs, providing food, clothing, medical assistance and transport to access necessary services (Phibbs, Kenney and Solomon, 2015; McMeeking, 2018). There was similarly rapid deployment following the Kaikōura earthquake, and after both earthquakes marae provided food and shelter for the Māori and wider community (Towle, 2016). Arguably, distributing resources in this way is an embedded ethic within tikanga Māori, reflected across a range of enduring and pervasive practices, such as gifting mahinga kai (customary food) to kaumātua after each dive, or weaving resources along whakapapa lines when a whareniui is built or restored. In our view, these distributional networks enact manaakitanga and reflect an intrinsic obligation on the part of the organisations engaged in distribution to do what they believe is right for the community. Networked mobilisation is also a community 'muscle' that is regularly exercised. Tangihanga, for example, require rapid and passionate mobilisation. Whether large or small, there are teams of people involved in different functions, all of which require organisation and coordination. Mobilising for Covid-19 drew on the same capabilities.

Second, many of the Māori distribution networks utilised social capital to access resources and to redistribute to whānau. Ngāpuhi, for example, drew on whānau relationships with a supermarket owner to access goods in bulk (de Graaf, 2020), Waikato Tainui drew on corporate relationships to partner with a food supplier (Tantau, 2020), and Te Pūtahitanga o Te Waipounamu developed a relationship with a local businessperson to supply personal protective equipment (PPE). This pattern is similarly not unique to Covid-19. Following the 2011 Christchurch earthquake the Māori Recovery Network received contributions from iwi and Māori organisations across the country: doctors from Waikato Tainui, nurses from Te Arawa, a container from Ngāti Toa and well beyond – including the proceeds of a goat raffled on Ngāti Porou radio. The critical insight is that Māori networks can and do unlock resources that would otherwise not

have been available for community relief. Contrary to the popular view that Māori 'drain' resources, these patterns demonstrate that Māori networks unequivocally increase the total pool of resources available. The policy implications of a 'resource rich' view of Māori networks is an element we return to in our concluding section.

Māori networks both directed their own financial resources to the response and became distribution channels for government support. Given that we are only just reaching critical scale in the post-settlement phase (in which iwi become, to varying degrees, financially independent), New Zealand is not yet accustomed to iwi and Māori organisations bringing financial resources to the table and the ripple effects this is likely to have on the nature of partnership dynamics. The triggers and quantum for iwi to self-fund community contributions is, however, an area that will require careful navigation so as not to unduly stretch primary fiduciary responsibilities to current and future generations.

Government partnering with iwi and Māori organisations as distribution channels for Crown resources is a welcome demonstration of both trust in, and recognition of, the unique value of iwi and Māori partners. An additional Whānau Ora fund was distributed through the three Whānau Ora commissioning agencies. Some iwi and Māori community organisations also received government Covid-19 grants and negotiated directly with various government departments (de Graaf, 2020). This type of precedent arguably has wider value across government policy, particularly if complemented with enhanced data collection to more fully understand the positive impacts of Māori contributions.

Community protection

The Māori response to Covid-19 also included the politicised 'checkpoints' (Scoop, 2020). Iwi checkpoints were established in Taranaki, on the East Coast and in Northland. The checkpoints involved iwi volunteers, supported by local police, stopping cars to query whether the occupants were complying with level 3 restrictions on inter-regional travel. If occupants were in contravention

The prevalence of media commentary portraying Māori as 'mad, bad and sad' arguably obscures recognition that Māori communities are highly resilient, accustomed to high self-reliance, and anchored on inherited responsibilities: atawhai ki te tangata (to care for people).

of government rules they were asked to return to their point of origin (Hemi, 2020). The checkpoints attracted some heated opposition on the grounds that they were unlawful and intimidating, with close to 6,500 people signing a petition calling for an end to 'vigilante iwi-gangster' roadblocks. However, the commissioner of police wrote in an opinion piece that the checkpoints were lawful when in partnership with police, as well as being aligned with government policy and enhancing community safety (Coster, 2020).

Context is valuable in stepping beyond the polemic. This is not the first instance of Māori establishing roadblocks as a

community protection mechanism. During the 1918 influenza pandemic Māori established roadblocks in various areas of the country. The catalyst was that Māori mortality during that pandemic was vastly higher than of non-Māori, and checkpoints were established at that time to decrease transmission and mortality (Ministry for Culture and Heritage, n.d.; Harris and Williams, 2020). The century between pandemics has not, for many whānau, obscured the stories of those lost in 1918 or of how tupāpaku were unceremoniously treated. Nor has a century materially altered the high vulnerability of Māori communities to higher infection and mortality risks, given the prevalence of Covid-19 risk factors highlighted in our introduction and presence of intergenerational households. The 2020 checkpoints were a practical response to heightened vulnerability, especially among kaumātua (Newstalk ZB, 2020). Arguably, the checkpoints reflected a broad, tacit expectation among many Māori communities that the government either would not or could not provide adequate protection for the distinctive realities within Māori communities, and therefore it was necessary to take a DIY approach (Coster, 2020). This expectation has accreted over time as historical examples of the government being unable or unwilling to protect Māori have accumulated, producing both low trust towards government and precedents of high self-reliance. When humanised, the checkpoints were people acting from the basis of love and responsibility to their community, with a fierce determination to do right by those they love in the belief that no one else would step up to the plate. In comparable future circumstances it should be expected that Māori communities will respond in comparably self-reliant ways. Policy responses can either anticipate these responses, or, as in the Covid-19 situation, leave Māori responses in a legal lacuna, exposed to politicisation. The former, naturally, is likely to lead to more constructive and considered outcomes for Māori and the public interest.

Insights from the Māori response to Covid-19
In our view, the most important insight from Māori responses to Covid-19 is one

of orientation: is the Māori community framed as vulnerable or as self-reliant? Both are true, but have very different consequences for policy responses.

Māori vulnerability, in statistical terms, is unequivocal. Māori death rates during the influenza pandemic of 1918 were seven times higher than those for Pākehā (Espiner, 2020; Charania and Turner, 2018, p.51). During the H1N1 influenza pandemic of 2009, rates of influenza were twice as high for Māori compared with Pākehā, and Māori were three times more likely to be hospitalised and almost three times more likely to die than Pākehā (Wilson et al., 2012). The fear of the Covid-19 pandemic was apparent in a nationwide survey conducted during lockdown: 71% of Māori were worried about vulnerable family members catching Covid-19 and 35% were worried about catching it themselves (Kus-Harbord, 2020).

However, it is equally true that the Māori community is 'resource rich' with established infrastructure akin to 'neural pathways' that support rapid, effective mobilisation. The prevalence of media commentary portraying Māori as 'mad, bad and sad' arguably obscures recognition that Māori communities are highly resilient, accustomed to high self-reliance, and anchored on inherited responsibilities: *atawhai ki te tangata* (to care for people).

The demonstration of responsibility throughout the Māori response to Covid-19 is, in our view, the rising meta-narrative for Crown–Māori relations, and it has three key transferrable insights for future policy. First, the Māori response was multidimensional (cultural adaptation, information and social networks,

distribution networks and community protection), the breadth of which is far more akin to the sphere of central and local government responsibilities than a community or industry sector response. Second, Māori have knowledge, capability and resources that government needs, but cannot access without partnering with Māori. Māori are increasingly in a position to, uniquely, help the Crown discharge its responsibilities through providing bilateral channels to disseminate information and gather insights into community needs, distribute resources, and increase the total pool of resources available for community triage. Third, the Māori community has all the components of a social movement geared to positive social transformation: organisational infrastructure, financial resources, human talent, deep insight into the needs and aspirations of the community, and an abiding commitment to creating a limitless future for generations to come. In our view, the connectivity across nationwide Māori responses to Covid-19 will add impetus to this social movement and strengthen the appetite for an increased sphere of empowered autonomy within Māori communities. There is likely to be value in reconsidering the calibration of centralised and localised decision making, with the track record of the Māori response to Covid-19 providing additional evidence of the benefits of increased localisation.

In conclusion, the Māori response to Covid-19 is an example of what a 'strengths-based' approach means in practice. It means looking first not at the 'vulnerabilities', but at the resources, capabilities and potential that exist. Māori enacted a 'just do it' ethic and the outcomes were compelling, both in terms of the

current proportion of Māori who have experienced Covid-19, and in respect of the scale and impact of the response effort within the Māori community. Whether these outcomes can be fairly attributed to the Māori response will no doubt be contested, and there is no opportunity to meet the evidential standards of a randomised controlled trial. In response, we emphasise that the early predictions were that Māori would experience much higher rates of infection and mortality, even with the courageous strategy to 'stamp out' the virus (Newton, 2020). Covid-19 policy was predominantly without specific consideration of Māori, which on all prior evidence could be expected to worsen the forecasts (Jones, 2020). The reality, however, is the good news story no one predicted of low Māori infection rates. Yes, the Māori community gained from the macro-policy regarding level 4, and there is an argument that more isolated communities had an additional buffer. However, the extent of that gain, in our view, is principally attributable to the Māori responses. The extent of that gain should encourage reflection on the policy settings that both enabled and constrained the Māori response, with a future commitment to empowering the distinctive strengths and capabilities of Māori organisations and communities. Policy following this trajectory would be highly congruent with *te Tiriti o Waitangi*, but notably premised on a compelling evidential track record of Māori delivery, in effect stepping towards the spirit of our founding document not only because it is a constitutional imperative, but because it has been proven to be the most effective means of achieving outcomes for Māori and our nation.

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Mike Reid

Collaboration in a Time of Covid-19

will it reset the local–central relationship?

Abstract

The social and economic impact of a pandemic like Covid-19 was always going to require a multi-government response, and so it was in New Zealand. Despite the complexity that has historically characterised intergovernmental relationships, the impact of Covid-19 saw institutional arrangements quickly put in place that enabled a joined-up response from both local and central government. This article looks at how these arrangements worked and how they contributed to the provision of essential services through all levels of the lockdown.

Keywords collaboration, response unit, partnership, response, recovery

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The local and central government relationship has characteristics of what policy buffs call a 'wicked problem'. These are issues which involve multiple players, where cause and effect relationships are unclear, and where no single party can be held accountable for their resolution. In short, there is no independent umpire, there are no agreed rules of engagement, and power is asymmetric, resulting in what can best be described as a 'parent-child' game theoretic. Despite this, governance works.

New Zealand is consistently ranked as one of the best-governed countries in the world (Legatum Institute, 2019); trust in government is comparatively high and citizen participation is more than respectable compared to in many other countries. Day-to-day tensions can characterise central–local governmental relations, typically involving politicians

and officials in the centre expressing frustration at the failure of councils to pay sufficient attention to national objectives, and politicians and officials at the periphery sniping at unfunded mandates and loss of autonomy. Despite this, there are sufficient shared values that, when it matters, people work together for the good of the whole. And so it was, in large measure, as New Zealand faced its first pandemic for 100 years.

Unlike a number of countries, where the official response to the pandemic has been inconsistent and lacked clarity, New Zealand's response has been generally judged to have been quick and decisive, with all parts of government contributing according to their roles and responsibilities. While the international spotlight has, not surprisingly, been focused on the prime minister's national leadership, the test of how well government programmes are joined up occurs at the level of communities.

The public service has needed strengthening and in this crisis it performed well. Two defects that have persisted for years were overcome in an instant: the silos and the absence of science. The silo effect of departments doing their own thing and not being part of a joined-up government ceased. From the beginning of the Covid-19 crisis there has been a whole of government approach. (Palmer, 2020)

Given the public policy risk created by departmental silos and fragmentation, it is not surprising that commentators, like Sir Geoffrey, should note, with approval, the degree to which public agencies responded to the pandemic in a coordinated and aligned manner. Just as important, given its role in communities, is local government, for multiple reasons. Local government runs many of the services, classified as essential, that communities need for their ongoing wellbeing, not to mention survival, such as drinking and waste water, some environmental health services and the safe operation of public spaces. It was critical, then, that the joined-up government 'public bubble' was extended to local government as well.

Central–local governmental relationships are seldom easy, even in those

countries that provide strong constitutional protection for their local governments; and, in New Zealand, given a lack of institutional structures for managing the interface, much depends on the preferences of the incumbent minister of local government. It is a question that the Productivity Commission put its mind to in its report *Towards Better Local Regulations* (Productivity Commission, 2013). While that report focused primarily on shortcomings in the regulatory system, its observations and recommendations deserve wide consideration; namely:

- Current institutional arrangements can shield central government from the full fiscal and political cost of assigning regulatory functions to local government. This can have the effect of reducing the quality of regulations.

... in the face of a potentially existential threat, both spheres of government came together and worked seamlessly through the first stages of the pandemic response

- There is often limited analysis of local government's capability or capacity to implement regulations prior to the allocation of additional regulatory functions (or changes to existing functions).
- Central government agencies with oversight responsibility for regulations do not have knowledge of the local government sector commensurate with the importance of the sector in implementing these regulations.
- Engagement with local government during the design of new regulations is generally poor, resulting in a missed opportunity to improve the quality of policy advice from central government agencies and the resulting quality of regulation.

In short, local government is frequently out of mind and out of sight. Yet, in the face of a potentially existential threat, both spheres of government came together and

worked seamlessly through the first stages of the pandemic response. Critical was the establishment of the Covid-19 Local Government Response Unit.¹ The Response Unit was part of the supply chain and infrastructure pillar, led by the Ministry of Business, Innovation and Employment. It was tasked with ensuring that councils were able to meet their legislative and regulatory requirements and continue to carry out essential services.² The unit comprised senior members drawn from the Department of Internal Affairs' central local government partnerships team, local government policy and operations teams, the Society of Local Government Managers, Local Government New Zealand (LGNZ) and the National Emergency Management Agency (NEMA). The role included:

- coordinating and uniting with local

government to ensure the continued delivery of essential services to communities;

- integrating the Department of Internal Affairs' response functions with LGNZ, the Society of Local Government Managers, NEMA, other agencies and national command structures;
- ensuring effective two-way communications between central and local government to enable provision of nationally consistent guidance, including on-the-ground information to assist councils to understand and comply with statutory requirements;
- providing guidance to encourage the constant delivery of council services through the alert levels;
- keeping the minister of local government informed of urgent issues and providing advice on legislative 'fixes'; and

- providing guidance and assistance to enable and support a rapid recovery post-lockdown by councils and their communities.

The Response Unit managed the day-to-day engagement with councils and established a series of workstreams. Each workstream comprised local and central government officials and other key stakeholders:

- **Essential Services:** responsible for supporting local government so that it can continue to provide essential

ability to provide essential services, and raising them with decision makers in central government to resolve through temporary legislative and regulatory fixes. Both roles are discussed below.

Government's lockdown regulations

A primary task of the Response Unit was to translate the rules and regulations characterising each of the lockdown levels into specific operational guidelines for councils, which it did through the publication of regular bulletins. These

wastewater essential services are to be reinstated for level 3:

- Maintenance practices on linear assets (pipes etc)
 - Planned maintenance and connections work on the retail network
 - Pump station cleaning where required
 - Maintenance of valves and equipment
 - All non-essential work continues to be deferred. (24 April)
- The Covid-19 Response (Further Management Measures) Legislation Bill contains amendments to the Rating Valuations Act to allow councils to apply to the Valuer-General to have the triennial revaluation due to occur in 2020/21 deferred for one year. (13 May)³

As the examples show, the Response Unit had a strong 'on the ground' focus, with guidance designed to be read by operational managers and staff. Guidance on council services was prepared by a group of senior local government officials drawing on subject matter experts brought together in regular video-linked meetings.

Most councils took last-minute steps to delegate a broad range of decision-making powers to their chief executive, a committee or a small number of individual members, but, given the uncertain duration of the lockdown, this was never going to be a sustainable response.

services such as drinking and waste water, solid waste, public transport, roading, crematoriums and cemeteries;

- **Governance:** responsible for providing advice to enable councils to continue to make decisions and meet their legislative requirements through the Covid-19 response and recovery;
- **Finance and Recovery:** responsible for monitoring and assessing the short- and medium-term effects of Covid-19 on local government financial planning and viability and how councils might support regional and local recovery;
- **Social Wellbeing:** responsible for supporting local authorities to promote the social wellbeing of their communities, as well as work with iwi/Māori organisations active in this policy area.

In large part the Response Unit's work can be described as: (1) delivering guidance to local authorities on how to operationalise the requirements associated with each lockdown level; and (2) identifying issues that might be impacting on councils'

bulletins were published online most afternoons and included updates and advice on current and evolving issues, including key messages from the all-of-government daily update and the National Crisis Management Centre. The bulletins were hosted on the Department of Internal Affairs website, where they were placed on the landing page for easy access. Examples of the advice provided to councils included:

- The Response Unit continues to work as a matter of urgency on the important matter of council and council entity eligibility (individual or collective) for the Government Covid-19 wage subsidy. (9 April)
- Last week a modification to the Local Government Act 2002 was made to enable new members of council to make their statutory declaration (oath of office) at a meeting that is being conducted by audio or audiovisual link. (14 April)
- The operation and maintenance of the following drinking water and

Councils' ability to deliver essential services

Given their essential nature, many council services were required to be provided through the various lockdown levels, so it was important that both the service delivery and governance arms of the local authorities could operate. This was a particular challenge for governance, as lockdown rules meant that governing bodies and committees were unable to meet and make the decisions necessary to enable essential services to continue. This was one of the first issues raised with central government, literally on the eve of the lockdown.

Most councils took last-minute steps to delegate a broad range of decision-making powers to their chief executive, a committee or a small number of individual members, but, given the uncertain duration of the lockdown, this was never going to be a sustainable response. Democracy calls for more, particularly the ability to debate policy and decision making in an environment that allows public and media scrutiny. The obvious

solution was to allow councils to have virtual online meetings.

The Local Government Act 2002 provided for elected members to attend meetings by audio or audiovisual means, but there was a catch. Following a request from LGNZ, the act had been amended in 2012 to allow members to participate in meetings by audio or audio-visual means so that those who lived significant distances from council offices could participate more easily. However, the amendment retained the need for a quorum that was 'physically present' (at least 50% of members), a requirement that could not be met under lockdown rules. Once this was raised with officials, the government moved quickly to address the problem through an order-in-council that suspended the physically present quorum provisions and also made complementary changes to allow agendas and minutes to be posted online.⁴ These changes will remain in place until the Epidemic Preparedness (Covid-19) Notice expires or is relaxed. Within days of the notice, councils were holding full governing body meetings online.

A second set of issues concerned the difficulties in properly consulting on annual and long-term plans under the restrictions of lockdown, including re-consulting (for those councils that had prepared draft plans and consulted prior to the pandemic). Consultation time frames were not the only issues councils faced, and a survey of councils was commissioned to identify what other legislative time frames may be causing problems. The result, proving how local government is buried under a mountain of imposed regulations, was a list of more than 50 legislative obstacles, which ranged from the substantive and immediate to relatively minor. The most urgent and substantive were quickly addressed through an omnibus bill, the Covid-19 Response (Further Management Measures) Legislation Bill, which had its third reading on 13 May 2020. The significant provisions for local government in this bill were:

- a new order-in-council mechanism to allow dates for future by-elections to be adjusted in certain circumstances;
- a discretion for chief executives to delay the commencement of an election time frame (i.e. the call for nominations);

- the ability to publish, prior to 1 August 2020, a draft long-term plan amendment without an opinion from the Office of the Auditor-General;
- an extension of the time limit in which by-laws must be reviewed before being revoked;
- a shortened consultation process, until 1 October 2020, for annual and long-term plans.

As of the time of writing, the Response Unit had collaboratively and effectively facilitated executive and parliamentary

rebuilding the economy in the absence of major industries, such as tourism, requires significant public investment. Ensuring investment achieves its maximum impact means taking a disaggregated approach and being informed by local and regional opportunities. Rather than the style of leadership that saw us through the crisis, in which all aspects of the public sector sang from the same song sheet, the recovery needs to embrace difference and to work with multiple agencies, in different ways and with different accountabilities.

Despite strong endorsement by central and local government leaders, this collaboration did not represent a formal alignment of New Zealand's two spheres of government, but there is a good case for saying it may have prepared the ground for deeper collaboration.

actions to resolve issues that councils themselves had identified as problematic due to the constraints created by the Covid-19 lockdown. It had ensured that essential local services continued through the lockdown and it had set up a potential model for post-pandemic collaboration.

The recovery

By the end of May and the winding up of the response phase, the original objectives of the Response Unit had largely been met and consideration was being given to the recovery. There was speculation that joint committees, consisting of local and central government officials, may be established for each region.⁵ These may not be as successful, however.

The success of the Response Unit was partly due to the clarity of its task. It was to operate for a defined period, and its role was to help local authorities to implement the requirements set out under the Epidemic Preparedness Act 2006. Its tasks applied with little variation to all areas of Aotearoa New Zealand. The same approach cannot in practice apply to the recovery phrase. As the 2020 Budget signalled,

It is difficult to imagine a situation in which councils are not competing with each other for resources, and in which central government plays the role of broker, making trade-offs between competing bids, rather than constructive partner. Although officials may collaborate in the information-gathering and analysis processes, the recovery itself happens in communities that are facing very different challenges, have very different capabilities, and have very different values, not only from each other, but also from central government.

Unlike the role of the Response Unit, with its predominantly technical responsibilities coordinated by the Department of Internal Affairs (such as translating national policies and regulations into activity-specific guidelines), the recovery will largely be political. Local coalitions, consisting of councils, businesses and iwi/Māori organisations, will lobby national decision makers for their share of the available pie. The government's challenge will be how to coordinate these interactions. The City Deal framework in the United Kingdom

Collaboration in a Time of Covid-19: will it reset the local–central relationship?

could serve as an example of how to address this problem (KPMG, 2014).

Conclusion

In the face of a national threat such as a pandemic, it is appropriate for governments to act quickly and ensure immediate threats to life and well-being are minimised. This is a critical role for the state. The New Zealand government is universally regarded as having done well, despite the fact that it was not well prepared for the pandemic.⁶ One factor in the success of the collaboration was the degree to which it was initiated and led by officials. Despite strong endorsement by central and local government leaders, this collaboration did not represent a formal alignment of New Zealand's two spheres of government, but there is a good case for

saying it may have prepared the ground for deeper collaboration.

The success of the collaboration came down to the effectiveness of policy and operational networks in which officials from both local and central government participated, got to know each other and built up a level of trust.⁷

Whether the success of the collaboration signals a new paradigm, or not, is uncertain at the time of writing. At one level, the institutional architecture that has historically governed the interface between central and local government remains unchanged, despite the success of the Response Unit, which was only temporary. At another level, however, the relationships that have been developed between officials will have not only created an appreciation of the value of working collaboratively, but

also made future collaboration much more likely.

- 1 At the time of writing the Covid-19 Local Government Response Unit was still operating and was expected to continue through to at least level 1.
- 2 An additional collaboration that was parallel to the work of the Response Unit involved regional civil defence and emergency committees that were brought together by the national emergency declaration. Their success or otherwise is outside the scope of this article, although, at some point, the question of why they were seen as the best mechanism for distributing food parcels should probably be answered.
- 3 All bulletins can be found at found at <https://www.dia.govt.nz/Local-Government-Covid-19-Response>.
- 4 Citizens could still request hard copies of an agenda.
- 5 The issue was on the agenda of the annual Central Local Government Forum, a heads of government meeting between the prime minister and Cabinet and the national council of LGNZ, scheduled for 28 May by video link.
- 6 New Zealand was number 35 in the world when ranked on its pandemic preparedness as recently as late 2019. Citizens have every right to expect that preparedness for national emergencies, a core function of the national state, should be taken more seriously by government.
- 7 One of the disappointments of the Public Services Legislation Bill 2020, at the time of writing awaiting its second reading, is the failure to even acknowledge the existence of the local public services and the potential value of operational central–local governmental networks.

Table 1

Legislation	Effect	Revocation date
COVID-19 Response (Urgent Management Measures) Legislation Act 2020	Local Government Act 2002 <ul style="list-style-type: none"> Modified Cl. 25A Sch. 7 to remove requirement for quorums to be physically present. 	Until the Epidemic Preparedness (COVID-19) Notice 2020 expires or is revoked
Immediate Modification Order	Local Government Act 2002 <ul style="list-style-type: none"> Enabled a newly elected member to make a written instead of an oral declaration. 	Until the Epidemic Preparedness (COVID-19) Notice 2020 expires or is revoked
	Local Government Official Information and Meetings Act 1987 (LGOIMA) <ul style="list-style-type: none"> Amended s. 46B to allow reports and papers to be published on an internet site instead of hard copy Modified s.47 to allow video recordings to take place of written minutes New section 51AA to allow minutes to be posted on an internet site rather than hard copy (unless requested) 	All expire when the Epidemic Preparedness (COVID-19) Notice 2020 expires or is revoked
COVID-19 Response (Further Management Measures) Legislation Act 2020	Review of bylaws extended to two years after date on which they should have been reviewed, or by 30 June 2021. Applies to: <ul style="list-style-type: none"> Freedom Camping Act 2011 Local Government Act Waste Minimisation Act 2008 	All expire 1 July 2021
	Local Electoral Act 2001 <ul style="list-style-type: none"> Public notices on internet sites (instead of newspaper) Gov. General power to specify a later date for a by-election CEO power to defer giving notice of vacancy to electoral officer 	Expires 1 November 2020 Until Epidemic Preparedness (COVID-19) Notice 2020 expires or is revoked. Until Epidemic Preparedness (COVID-19) Notice 2020 expires or is revoked.

Legislation	Effect	Revocation date
COVID-19 Response (Further Management Measures) Legislation Act 2020 (Con't)	Local Government Act 2002	
	<ul style="list-style-type: none"> Public notices on internet sites (instead of newspaper) Modified special consultative procedure (7 days); LTP amendment without a report from the OAG, but with an explanation of why not SCP commenced after May 17 2020 may use modified procedure 	<p>Expires 1 November 2020</p> <p>Expires 1 October 2020</p> <p>Expires 1 August 2020</p> <p>Expires 1 October 2020</p>
	Local Government Official Information and Meetings Act 1987	
	<ul style="list-style-type: none"> Public notices on internet sites (instead of newspaper) 	Expires 1 November 2020
	Local Government (Rating) Act 2002	
	Public notices on internet sites (instead of newspaper)	Expires 1 November 2020
	Triennial revaluation deferrals – Rating Valuations Act	
	<ul style="list-style-type: none"> Councils may apply to the Valuer-General to have the triennial revaluation due to occur in 2020/21 deferred for one year The Valuer-General must be satisfied that the council is unlikely or not reasonably able to produce a credible revaluation due to the practicality of carrying out physical inspections or availability/reliability of market evidence 	All expire 30 June 2021

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Holly Walker

Alone Together the heightened risks of loneliness following Covid-19

Abstract

Even prior to Covid-19, loneliness posed a significant public policy challenge. Loneliness intersects with other wellbeing factors, so prioritising wellbeing requires policies that allow social interaction to thrive. Prolonged loneliness also creates significant public health risks. Covid-19 thrust loneliness into greater prominence with enforced social isolation compounded by considerable employment and income loss. The level 4 lockdown contributed to an increase in self-reported loneliness, especially among those already at risk. Future analysis will determine the full impact of Covid-19 on loneliness; in the meantime, policy to enable social interactions to thrive will be an important part of the recovery.

Keywords loneliness, social isolation, public health, connection, social interaction, wellbeing.

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Everyone knows the particular pang of loneliness, the painful feeling that occurs when one's needs for meaningful connection are unmet (Hawkins-Elder et al., 2018; Hawkey and Cacioppo, 2010). Short periods of loneliness are a normal part of the human experience, but when it is experienced consistently for a prolonged period, loneliness can have profound negative consequences (Ortiz-Ospina, 2019).

Even before Covid-19, loneliness presented a significant public policy challenge in Aotearoa New Zealand. The government had indicated that wellbeing was to be the driving force behind government decision making and made it the centrepiece of Budget 2019. Loneliness intersects in complex ways with other wellbeing factors: in 2018 those more likely to experience chronic loneliness included people on low incomes, those who were unemployed, Māori, young people and single parents (Statistics New Zealand, 2018) – all groups whose wellbeing the government is seeking to improve.

The global outbreak of Covid-19 and associated lockdowns significantly exacerbated the risks of loneliness, both

during the immediate period of enforced isolation, and as communities transitioned out of isolation with new social distancing requirements and altered social norms (Sanders, 2020). The risk was heightened for everyone, but especially for those who were already more likely to feel profoundly lonely.

This article outlines the health and wellbeing risks posed by loneliness, sketches the likely impact of the level 4 lockdown on New Zealanders' loneliness, and presents six policy planks to enable social relationships to thrive as New Zealand recovers from the economic and social shock of Covid-19.

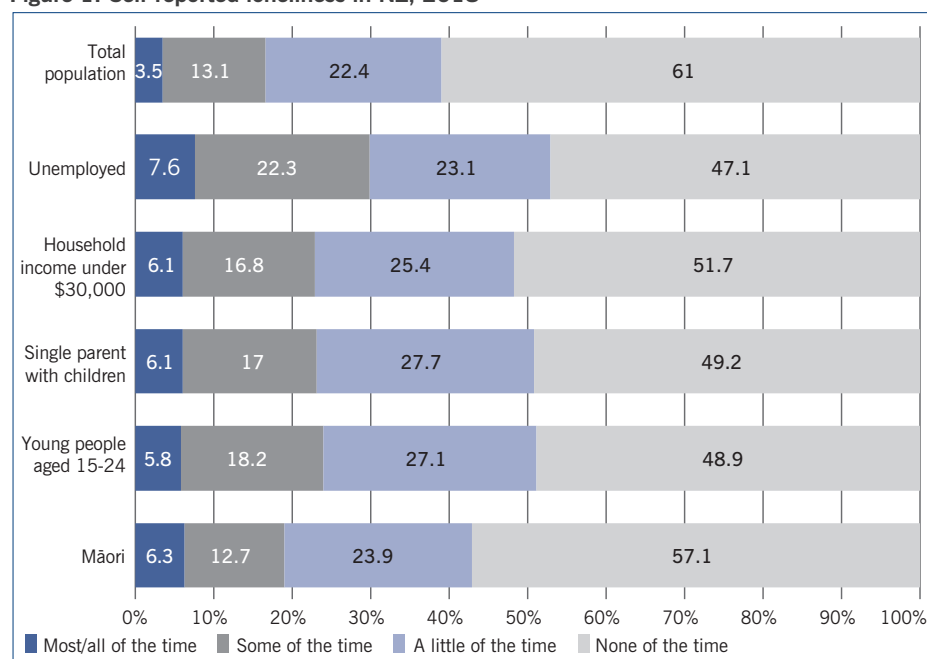
Loneliness and its ill-effects

Under normal circumstances loneliness can occur at any time and is experienced differently depending on a person's needs and situation, though it does seem to be most prevalent during major life transitions (Thomas, Orme and Kerrigan, 2020; Zoutewelle-Terovan and Liefbroer, 2018). While everyone will experience some loneliness during their life, when loneliness persists for long periods it can become a significant risk to health and wellbeing.

The physiological effects of loneliness have an evolutionary explanation: humans evolved to live communally and rely on others for safety, so our brains are primed to respond to perceived isolation as though to an existential threat. This threat response is intended to help manage immediate danger by making us more alert and poised for action. It is not intended to be maintained for long periods due to the stress it places on the body, over-activating various physical systems and not allowing time for rest and recovery. Prolonged 'hypervigilance for social threat' caused by loneliness can alter physiological functioning, diminish sleep quality, and increase morbidity and mortality (Hawkey and Cacioppo, 2010).

As a result, people who report prolonged loneliness are more likely to experience cardiovascular disease, high blood pressure, high cholesterol, dementia, depression and anxiety (Ortiz-Ospina, 2019). Hormonal imbalances caused by prolonged hypervigilance to social threat can also suppress immune function and leave

Figure 1: Self-reported loneliness in NZ, 2018



Source: Statistics New Zealand, 2018

people more vulnerable to infectious diseases (Hawkey and Cacioppo, 2010). For these reasons, loneliness poses a significant public health challenge.

Loneliness in Aotearoa New Zealand before Covid-19

We are fortunate in New Zealand to have an established measure of self-reported loneliness in the New Zealand General Social Survey (GSS). In 2018, 3.5% of New Zealanders reported feeling lonely most or all of the time in the previous four weeks. A further 35.5% reported feeling lonely some or a little of the time, and 61% reported no feelings of loneliness. Rates of loneliness were relatively stable in the 2014, 2016 and 2018 surveys, with a small increase in 2016 reversing in 2018 (Statistics New Zealand, 2018).

A closer examination of who was more likely to report feeling lonely in 2018 reveals that loneliness intersects significantly with other wellbeing factors. Those most likely to report feeling lonely most or all of the time included those who were unemployed (7.6%), Māori (6.3%), those with a household income of less than \$30,000 (6.1%), single parents (6.1%) and young people aged 15–24 (5.8%).¹

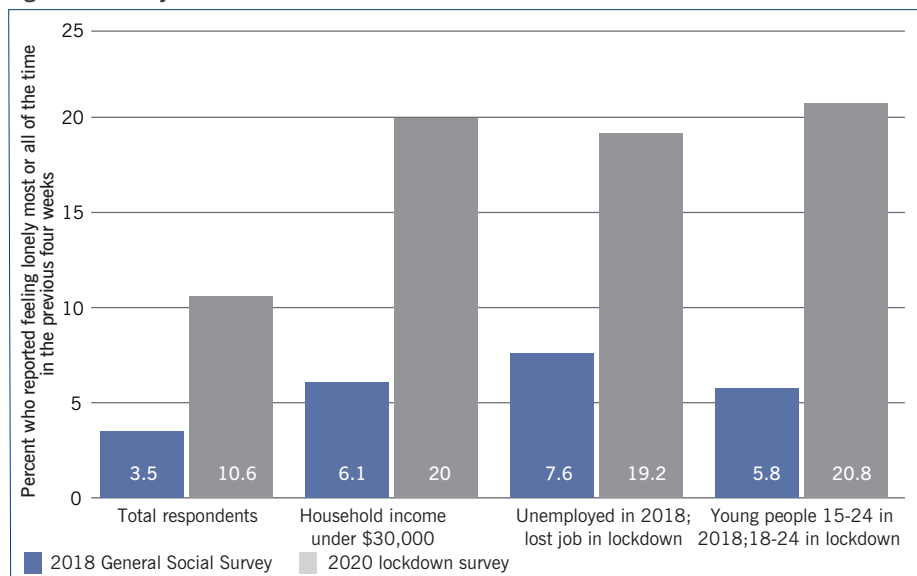
Overall, the picture prior to Covid-19 was of a small but significant minority of New Zealanders experiencing profound loneliness, with some groups of particular concern.

Exacerbating effects of Covid-19

The risks of a period of enforced social isolation in relation to loneliness are obvious: during lockdown, most normal social interaction ceased. Furthermore, most economic activity also ceased, and many people either lost their jobs or lost income, a significant risk factor for increased loneliness.

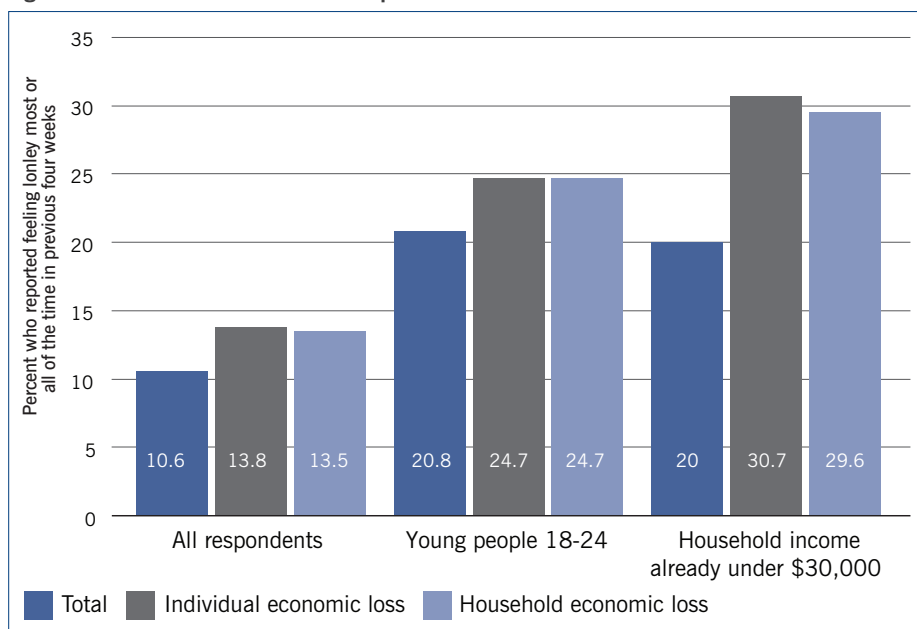
Thanks to some quick-footed researchers at the Roy McKenzie Centre for the Study of Families and Children and the Institute for Governance and Policy Studies at Victoria University of Wellington, we have an idea of the immediate exacerbating impact of New Zealand's lockdown on loneliness, and of how this intersected with existing risk factors (Prickett, M. Fletcher, S. Chapple, N. Doan and C. Smith. 2020). Undertaken during the third week of the lockdown, their survey asked respondents various questions about their emotional wellbeing during the lockdown, including how often they had felt lonely in the previous four weeks: 10.6% said they had felt lonely most or all of the time; by contrast, the equivalent figure in the 2018 GSS was 3.5%. While the two surveys are not directly comparable due to sampling and survey construction differences, reading the lockdown survey results alongside the GSS does suggest a significant increase in self-reported loneliness under lockdown conditions.

Figure 2: Lonely most or all of the time: 2018 vs lockdown



Source: Statistics New Zealand, 2018; Prickett et al., 2020

Figure 3: Loneliness in lockdown: impact of economic loss



Source: Prickett et al., 2020

Self-reported loneliness most or all of the time during the level 4 lockdown was even higher for young people aged 18–24 (20.8%, compared to 5.8% of young people aged 15–24 in 2018) and those with household incomes under \$30,000 (20%, compared with 6.1% in 2018).

Respondents who had experienced economic loss (i.e. job or income loss) as a result of Covid-19 were more likely to report feeling lonely. Those most starkly affected were those already in low-income households who then also experienced economic loss: 30.7% of these people reported feeling lonely all or most of the time during the lockdown. It was not only

those who lost their own job or income who reported greater levels of loneliness; people living in homes where their partner or another adult had experienced economic loss also reported high levels of loneliness.

The researchers conducted a follow-up survey at alert level 2 which will provide useful information about the ongoing impact of Covid-19 on loneliness; at the time of writing the results of this survey were not yet available. Likewise, the next GSS was due to be conducted in 2020 and reported in 2021. It will be important to track levels of self-reported loneliness in both the general population and in those

groups previously more susceptible to determine the ongoing impact of Covid-19.

Six planks of an effective policy response

In the meantime, it is clear that loneliness is – and will remain – a significant public policy issue. Whether New Zealand follows the lead of the United Kingdom and adopts a formal strategy to reduce loneliness (UK Government, 2018), or simply seeks to include loneliness as part of its existing wellbeing focus, we will need policies that allow meaningful social interaction to flourish. The following six policies could be key planks of an effective response.

Make sure people have enough money

Loneliness is clearly linked to income: in 2018, people earning less than \$30,000 per year had more than double the rate of loneliness of those earning over \$70,000 (Statistics New Zealand, 2018). The same was true of people living in material deprivation. Loneliness was also strongly linked to employment status, with those unemployed more likely to report feeling lonely than those in work. All of these effects appear to have been amplified during the lockdown (Prickett et al., 2020).

Given the mass loss of both income and employment caused by Covid-19, ensuring people have a stable, sufficient income will be critical to buffer against the effects of not only economic recession, but also high levels of loneliness, isolation and psychological distress. It will be necessary for the government to continue to stabilise people’s incomes and create meaningful employment opportunities for some time. The immediate \$25 weekly increase to core benefit rates and the 12-week special payment made available in June 2020 to those who had lost their jobs as a result of the crisis were a good start, although they also created equity issues between those who were already unemployed and those who lost jobs as a result of Covid-19. In the longer term, the government should consider implementing an effective guaranteed minimum income for all New Zealanders to enable everyone to live with dignity.

Close the digital divide

The reliance on digital technology for essential work, school and social interaction during the level 4 lockdown

brought Aotearoa's digital divide into stark relief. Prior to the lockdown, 86% of New Zealand households had access to the internet, which meant there were still around 211,000 households with no internet access (Stats NZ, 2020). During the lockdown the Ministry of Education hastily distributed around 10,000 devices to help students access remote learning, but an internet-enabled device still requires affordable data or wifi, which many households lack. These financial and physical factors combine with skill gaps and safety concerns to create significant barriers to digital access for many people (Elliot, 2018). The two groups least likely to have internet access are social housing tenants and disabled people (Grimes and White, 2019).

During and after the Covid-19 crisis, affordable internet access has become even more important to enable people to retain social connections. There was already a strong case that a suitable device with an affordable internet connection should be considered part of the baseline for social inclusion, in the same way that a landline with free local calling was a baseline last century (Elliot, 2018); in the post-Covid-19 environment this is even more important. Government should work with community organisations, iwi authorities and NGOs to enable the provision of devices and internet connections to those in need, alongside making internet safety a core part of the school curriculum.

Help communities do their magic

Thousands of community groups, NGOs, marae, churches, cultural and sporting clubs, community centres and membership organisations provide day-to-day opportunities for social interaction and connection that can buffer against loneliness. When these are at their best, they identify a need in their community and mobilise collectively to meet it, forging and maintaining social bonds between individuals, following proven principles of community-led development (Inspiring Communities, n.d.).

In the post-Covid-19 environment it is likely that philanthropic support for community organisations will be reduced, meaning government support for community activities will be even more

important. Budget 2020 recognised this with \$36 million in grants for community groups to enhance the wellbeing of their local communities in the Covid-19 recovery period (Hipkins et al., 2020). An even more substantial community-led development fund to which a diverse range of groups and organisations could apply to solve self-identified community needs would be an effective tool to combat loneliness. Such a fund would not need to target loneliness or promote social connection specifically; success is more likely if communities are supported to identify the challenges they wish to tackle themselves. Enhanced relationships and a

housing and business around those, with the result that car use remains dominant and streets are not safe for walking or socialising. By contrast, developments can be planned with social goals at the centre (Symons, 2018). Such developments prioritise walkability, social interaction, common space, easy access to parks and green space, and well-integrated links to public transport.

The government has a significant tool at its disposal to ensure that social wellbeing is central to new urban development. Formed in October 2019, Kāinga Ora brought together Housing New Zealand and its development subsidiary Homes

... developments can be planned with social goals at the centre. Such developments prioritise walkability, social interaction, common space, easy access to parks and green space, and well-integrated links to public transport.

greater sense of belonging tend to occur as a result of such projects (see, for example, Inspiring Communities, 2013).

Create friendly streets and neighbourhoods

Communities thrive when people know their neighbours and feel a sense of belonging and connection. Streets and neighbourhoods can either encourage this, or actively discourage it. The more that people perceive their street to be dangerous, the less likely they are to spend time outside and get to know their neighbours, whereas when streets are safe, open and friendly to pedestrians and bicycles, people are much more likely to stop and chat, spend more time outside, and feel a sense of wellbeing and belonging (Abass, Andrews and Tucker, 2020; Kearns et al., 2015).

Thriving neighbourhoods require conscious planning to prioritise social wellbeing. The conventional approach to urban development tends to start with traffic networks and flows and design

Land Community (HLC), along with the existing KiwiBuild unit, to form partnerships with developers, local and central government and Māori in order to deliver new urban developments that support community needs. Work is under way to develop a government policy statement to set the outcomes that new housing and urban development projects must deliver. A clear policy on how urban developments should prioritise social wellbeing would have a far-reaching positive impact on our future neighbourhoods and communities.

Prioritise those already lonely

Even with stable incomes, equitable digital access, strong communities and well-designed neighbourhoods, some people will still experience debilitating loneliness, with potentially devastating impacts on their physical and mental health. Existing data helps us to identify those most likely to be experiencing chronic loneliness already:

people on very low incomes, those who are unemployed or have lost their jobs as a result of Covid-19, Māori, young people aged under 24, single parents, and some older people, particularly those living alone. When making decisions about services to support, and when allocating public funding for further research, policymakers should prioritise targeted interventions to alleviate loneliness among these groups.

Invest in frontline mental health services

The full impact of the Covid-19 pandemic on New Zealanders' mental health will not be fully known for some time. As the immediate crisis recedes, we can expect to see an increase in people seeking help for depression, anxiety, PTSD and other mental health conditions as they work through the trauma the pandemic has created.

This will be a challenge to the health system, because even before Covid-19, access to free treatment services was very poor. Work was under way to address this: following the report of the inquiry into mental health and addiction in late 2018, the government had committed \$455 million in Budget 2019 to the roll-out of a

new front-line mental health service to put trained mental health workers in primary health clinics, iwi health providers and other health providers. During the recovery and rebuild period, this new service will be even more important as an upsurge in demand is likely. As much as possible, the new service's funding should be boosted and the date for its full implementation should be brought forward.

Conclusion

Prior to the distress and disruption of Covid-19, loneliness posed a significant public policy challenge, particularly for a government committed to prioritising wellbeing. Loneliness intersects with other wellbeing factors, so prioritising wellbeing requires investing in policies that allow social interaction to thrive. Prolonged loneliness also creates significant public health risks. The Covid-19 crisis thrust loneliness into greater prominence as a policy challenge, with an extended period of enforced social isolation compounded by considerable loss of employment and income. It appears that the level 4 lockdown contributed to a significant increase in self-

reported loneliness, especially for those already at greater risk. Future analysis of loneliness trends will be important to determine the full impact of the Covid-19 crisis; in the meantime, effective policy to enable social interactions to thrive will be an important part of post-Covid-19 recovery. Six policy planks that would help to minimise the increased risks of loneliness are: make sure people have enough money; close the digital divide; help communities do their magic; create friendly streets and neighbourhoods; prioritise those already lonely; and invest in front-line mental health services.

1 While older people are often cited as being at risk of loneliness, older people aged over 75 were actually less likely to report feeling lonely most or all of the time (2.1%); however, those in this age group who do experience chronic loneliness are at greater risk of ill-health as a result, meaning they are still an important group to focus on (Wright-St Clair et al., 2017).

Acknowledgements

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What People Said about Life under Lockdown

Abstract

The article discusses results from the IGPS/Roy McKenzie Centre Covid-19 lockdown survey, focusing on what people reported about their experiences of the level 4 lockdown, both positive and negative, in an open-field response. New Zealanders' responses allow identification of some common themes. Some of these themes, perhaps, come as a surprise: generally, a plurality of people were positive about the lockdown, particularly in terms of the benefits of time with their family, with a majority having either positive or mixed/neutral feelings. Less surprisingly, work was also on a lot of people's minds. The results also illustrate a wide diversity of human experiences during the lockdown.

Keywords time, family, work, level 4 lockdown, zombies

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The Institute for Governance and Policy Studies and the Roy McKenzie Centre for the Study of Families and Children, in conjunction with Colmar Brunton, collected a 'Life under lockdown' survey looking at well-being, family life and work during the third week of alert level 4 lockdown. The survey finished with an optional open field question, limited to 280 characters (i.e., a Twitter-length response): Is there anything else you would like to tell us about your experiences of lockdown, positive or negative? Of the 2,000 respondents, 894, or 44.7%, gave a usable response, an unanticipated positive result.¹ We have a rich historical record of the thoughts of many ordinary New Zealanders during the pandemic lockdown.²

This article considers people's responses, looking at themes derived from a simple reading, as well as from coding responses and from considering word counts. Themes identified are illustrated by quoted responses. No socio-demographic information is provided for quotes, for two reasons. First, it helps protect confidentiality.

Table 1: Who's more likely to make a useable response? Useable responses by socio-demographics

	% useable responses from group
Overall	44.7
Gender	
Female	47.2
Male	42.9
Age	
Under 30	29.2
30 to 49	41.9
50 to 64	52.4
65 and over	61.5
Ethnicity	
NZ European	45.1
Māori	48.0
Pacific	42.9
Indian	34.9
Asian	46.2
Household income	
< \$20,000	42.8
\$20,001-\$30,000	46.8
\$30,001-\$50,000	50.4
\$50,001-\$70,000	42.1
\$70,001-\$100,000	42.6
\$100,001-\$150,000	42.6
\$150,001>	46.1
Highest education	
Primary or secondary school	44.4
Diploma	48.9
Undergraduate degree	42.1
Postgraduate degree	43.1

Second, it avoids reducing individuals' voices into prior-driven socio-demographic boxes. Where a response was sufficiently detailed that a respondent might still be identifiable, detail was removed. For reasons of delivering immediacy of voice, quotations from responses are rendered in their original spelling and grammar.

Respondents and their basic socio-demographics

In aggregate, do those who responded to the open field question differ greatly from the broader sample in terms of socio-demographics? That question is explored in Table 1. Variations in responses according to people's gender, ethnicity, household income and education are not especially important. However, there was a much stronger tendency for older people to respond.

Positive, mixed and negative responses

The responses were coded into three broad categories: 'Generally positive', 'Mixed positive and negative and neutral', and 'Generally negative'. Coding was based on feelings expressed in the response, not whether the person apparently supported or didn't support the lockdown. The plurality of responses (43%) were positive, positive plus neutral or mixed were about two thirds (43% positive plus 23% mixed), and just over one third of responses (35%) were negative about their experiences during lockdown. Several interesting socio-demographic patterns emerged. First, there were few gender differences. Younger people tended to offer more positive comments and older people more negative comments, but differences were not great, so the greater likelihood of older people responding (Table 1) is unlikely to have greatly biased the responses towards the negative. Second, New Zealand Europeans were less likely to offer positive responses than non-Māori minority ethnic groups. Māori fell in-between the majority and the other minorities. Third, in terms of socio-economic status, those in the bottom two income bands were noticeably more likely to offer a negative comment, as were people with non-tertiary education.

Word counts and what matters³

A total of 18,011 words were provided, averaging 20 per respondent. On average, people used 108 out of their 280-character quota. For the analysis presented in Figure 1, word count rankings excluded function words, pronouns, and definite and indefinite articles and the word lockdown. The raw frequency of use of the remaining 20 most common words is shown in Figure 1.

Time and family

'Time' was the most-used word, at 193 times. It was used with multiple meanings. Time was used positively in the sense of time spent with family, partner or children in 92 responses. In terms of four-word combinations, 'time with my family' (7 mentions), 'quality time with family' (5), 'more time with family' (4), 'time with each other' (3) and 'time with the family' (3) were all found. Three shorter complete examples of this quite pronounced trend include 'Great family bonding time', 'Lockdown has been good for our family – quality time', and 'More quality time spent as a whānau. Routines were still maintained. They miss their peers but appear generally happy.' For another, it was appreciation of new temporal opportunities: 'loely to spend more time at home and with my grilfreind'. For yet another, it represented a first-time opportunity: an example of longer feedback on the positives of the use of 'time' was:

It's been a good way to focus on what's important in my life. Personally for me it's been a good time for me to connect with my 2 year old and enjoy having time with my Husband and Parents. On the flip side it's highlighted what I've missed due to working.

For some, time was used positively in a personal sense. Lockdown could be a chance for personal growth: 'have enjoyed the time off to renew myself'. For another, it was a first-time opportunity: 'I've enjoyed a holiday from work as I have never had longer than a week off. Could never afford it.'

Some – 22 responses in total – used 'time' negatively, usually succinctly. Examples include 'Lots of productive time wasted', 'very board a lot of the time', and 'it sux big time'. The balance of uses of time were mostly not relevant, 'time being', 'critical times' or 'part time' being examples.

The single most common focus of the nouns which people used was related to family in various forms. 'Family' was used 147 times in responses ('whānau' was used once). Other words related to family which were popular were linked to children – 'children' itself (36), 'child' (10) and 'kids' (34). These counts underestimated the

degree of focus on children, since there were seven mentions by respondents of their child as, for example, a '4-year old'. People also mentioned 'partner' (27), 'husband(s)' (26) and 'wife' or 'wives' (17). 'Mums' were mentioned eight times, while 'dad(s)' were not mentioned. 'Daughter(s)' received 14 mentions, while 'son(s)' had five. There was one mention of a 'grandson' and three of 'granddaughters'. The large majority of these family references were positive. Fewer than a dozen family references were negative.

Place: home, work, shops and school

Place, and activity linked with that place, was an important dimension of people's responses, with 'home' (126) and 'house' (31), unsurprisingly, figuring strongly.

Various dimensions of work also showed up prominently (of course, work can function as both a noun and a verb). 'Work' was mentioned often – 116 times – while 'working' (48), 'job(s)' (47) and 'worker(s)' (17) were also important. The pay dimension of work was mentioned somewhat less, but it still figured in people's accounts. 'Money' figured 22 times, but 'pay' (17), 'income' (16), 'wages' (7) and 'salary' (2) were also on the horizon.

People also reported on losing jobs: 'I lost my job because of Covid19 and still can't find another job which is pretty sad', or simply 'Lost job'. Others worried about job loss for others: 'Some of my friends lost jobs and losing jobs even if they have families. Also my company did some redundant' and 'those with jobs and full pay are the lucky ones. Some of my friends and workmates have lost theirs'. For another, job loss was complex: 'Lost job but quickly found another after 2 weeks. Partner upset as I got night shift.'

Others were simply worried: 'Very worried about loosing my job. And finding a another job during this time will probably be very difficult and stressful'; 'I'm just worried/depressed that I won't have a job and be able to help out my family with finances, that's what's making me feel worthless because I got laid off, it's not fair that I'm the youngest and I can't help out'; 'Just uncertain for my partner to get a job very testing times' or 'continuos worry about job security'.

Table 2: Positive, Mixed or neutral and Negative expressions by socio-demographic characteristics

	Generally positive %	Mixed and Neutral %	Generally negative %
Overall	43.0	22.6	34.5
Gender			
Female	42.7	23.7	33.6
Male	43.3	21.6	35.1
Age			
Under 30	46.2	24.6	29.2
30 to 49	44.3	21.2	34.5
50 to 64	41.8	22.9	35.3
65 and over	40.2	22.9	36.9
Ethnicity			
NZ European	38.8	24.4	36.6
Māori	45.0	20.6	34.4
Pacific	53.7	19.4	26.6
Indian	53.8	17.3	28.8
Other Asian	53.5	19.8	26.7
Household income			
< \$20,000	43.1	12.3	44.6
\$20,001-\$30,000	27.5	30.0	42.5
\$30,001-\$50,000	41.8	24.9	33.3
\$50,001-\$70,000	47.3	22.9	29.8
\$70,001-\$100,000	48.9	19.3	31.8
\$100,001-\$150,000	40.6	25.6	33.8
\$150,001 >	44.8	20.0	35.2
Highest education			
Primary or secondary school	38.8	22.0	39.2
Diploma	42.0	25.9	32.1
Undergraduate degree	48.9	21.3	29.8
Postgraduate degree	44.9	19.2	35.9

Figure 1: 20 most commonly used words

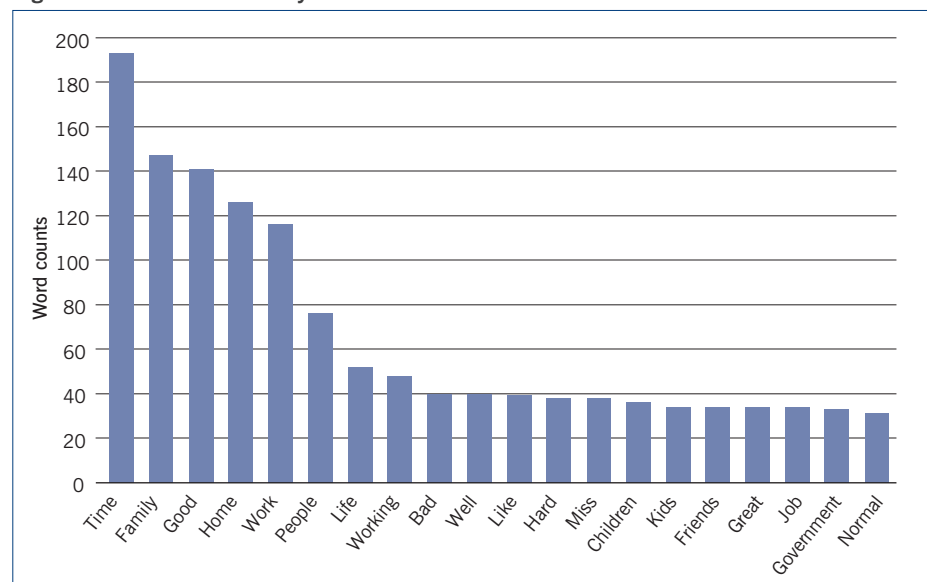


Table 3: Top 20 feelings or emotions mentioned

Feeling or emotion	Word count
Good	141
Enjoy/enjoying/enjoyed	63
Stressful/stresses/stressed/stress	45
Bad	40
Hard	38
Miss	38
Great	34
Difficult	25
Happy	21
Nice	16
Ok/okay	15
Boring	14
Worry	13
Better	13
Fine	12
Missing	11
Tough	11
Coping	11
Positive	10
Worried	10

Pay cuts or disputes were mentioned by several people: ‘Bit worried about reduced pay hard to pay bills loans n stuff’; ‘happy to be in work even if i took a pay cut and hours reduced, has been tough on partner with son home for so long’; ‘the most distressing and stressful thing has been dealing with my job and disputes re hours and pay – it has basically been the whole cause of my angst during lockdown’; and

It is bad because even though my employer gets 13 million in wage subsidy, my pay has been reduced to only 80%. I am just slightly above minimum wage and my wage subsidy is used to top-up those highly paid managers who can afford a wage cut or reduction.

Others, however, reported positive effects of luck in this context. For example:

We sold our 2nd house just before lockdown, things would be alot different for us if this sale did not go through. With my husband no longer employed and my pay being reduced we would not be able to meet our financial obligations had we not sold the house the week of lockdown.

Not surprisingly, school was a focus for people. ‘Schooling/learning’, ‘schools’, ‘school’, ‘schooling’, ‘homeschool’ and ‘homeschooled’ came up 30 times in total. Many reported struggles. For some, the challenge was managing children of different ages: ‘Definitely finding it hard to help 3 kids all at different levels complete their school work, especially with a toddler running around.’ For others, it was balancing home schooling with working from home: ‘It’s so difficult trying to manage schooling/learning for the kids while also making time to work from home. Very stressful.’

The last place-based focus related to shops and shopping. ‘Shopping’ was most mentioned at 27 times, followed by ‘supermarket(s)’ with 23, while ‘shop(s)’ (15) and butcher(s) (6) both also drew some attention. Surprisingly, ‘café’ and ‘mall’ only figured once each.

Expressions of feeling and emotion

Expressions of emotions and feelings were common. Table 3 shows the most common words used that related to feeling or emotion. The table supports the coded predominance of positive or mixed responses to lockdown over negative responses. Table 3 shows that positive emotions seem generally stronger, with the top two feelings and emotions being positives, although, on balance, approximately half of emotive words identified were positive and half were negative.

‘Good’, with 141 mentions, was nearly as popular a word as ‘family’. Good was used positively in the large majority of 124 responses and negatively in 10 responses – for example, ‘Not good for the general economy’ (the balance is either double use in a response, or non-relevant use, e.g. ‘good morning’). The phrase ‘been good’ was used 16 times and ‘all good’ was used 11 times, while ‘not good’ was used six times, illustrating a positive dominance.

The next most popular word after ‘good’ was some dimension of ‘enjoy’. The combination of ‘not enjoy’ was not used. The first potentially negative word was some variant of ‘stress’, with 40 responses here. Thirty respondents used this variant in a negative manner, while the balance are positive or neutral.

Interestingly, positive emotions were often coupled with feelings about time. For example, this was a typical positive response in tone and content incorporating both ‘time’ and ‘enjoy’ and noting a lack of ‘stress’: ‘Homelife has not posed any stress in our bubble durring lockdown, we have found many things to keep busy and are enjoying our time together’. Sometimes ‘enjoy’ was in the context of mixed emotions: ‘I quite enjoy working from home (warm, comfortable, quiet) but I am lucky that I can work from home. It does get lonely though but I manage it.’

There was also a non-trivial amount of negative emotion registered. For example, ‘not being able to’ (17) was the top four-word phrase used, illustrating constraints on activities, and used more than twice as often as ‘time with my family’ (7). Someone wrote, using the term twice:

The worst thing has been not being able to attend Church, especially over the Easter Season!! Not being able to see family and friends is also difficult, I feel very concerned as to the effect this will have on the economy of our country and all the younger generations to come!!

A few people expressed mental health concerns: ‘Really not good for mental health being confined, especially with having history of mental health issues’ and ‘It feels oppressive and is a struggle mentally’ are two examples.

Additional feelings of gender stress in relation to alcohol were recorded:

Men that are home on full pay while wife works thinking yeah it holiday time sleep when they want do bugger all round home to catch up drink when should be doing chores that needed doing not considering often oh i should cook give partner that working a break plain annoying.

But for others lockdown has offered partial and possibly temporary solutions:

I can say that my husband has to come straight home and not make pit stops to his best friends house on Friday after work to have drinks. Samoan churches been so demanding about how \$100 fortnightly is compulsory for donations to the priest. Being grateful beyond measure.

For another, lockdown was the last straw:

After lockdown my partner and I will separate!!! Being in lockdown emphasised the difficulties with our relationship. Nonetheless I think that the lockdown was important and necessary and that it saved many NZ lives.

Other dimensions

Some people mentioned undertaking exercise or leisure activities. Eleven people mentioned 'run(s)' or 'running', 12 people 'walks' or 'walking' and 18 people mentioned 'garden(ing)'. There were nine mentions of 'dog', including 'after lockdown i have found i spent more time with my beloved dog, which is one of my best friend n family' and 'PUBLIC PARKS HAVE BECOME DOG POOP AND CRAZY BIKERS'. 'Fish(ing)' got two mentions and 'surf' only one. 'Hunt(ing)' and 'tramp(ing)' were not mentioned. All of these leisure activities had some prominence in the media as activities people wanted to do but were prevented from doing under lockdown. They did not grip the imaginations of the respondents.

'Government(s)' was mentioned 36 times, mostly positively, sometimes neutrally and sometimes negatively. Politics, however, was not overly prominent in responses. 'Labour' was used two times and 'National' once. 'Jacinda' (never 'Ardern' alone) was mentioned ten times, with comments like 'Jacinda is doing a great job. Just can't wait till this is over' (coded a

'Mixed' response), 'I think Jacinda Adern & Ashley Bloomfield are my latest heroes!' and 'Lockdown has been fine. I think it is the best thing we could have done in the circumstances and makes me proud to be a New Zealander and a supporter of the Labour government and Jacinda.' There were fewer negative political views expressed. An example is: 'the only anger I feel is for the extreme over reaction by Government and the sheep like obedience of the populace'.

There were situations where the respondent was playing with a very difficult hand. Here are six examples:

Person 1: I cry lol the time I'm worried about money and the long term affects of this situation on our household and our finances, I am hanging on by a thread.

Person 2: My husband past away on ... [xxxx]. I need my kids and family here, but they live out of town,..... it's going to be awhile and that's so sad

Person 3: full time from home, homeschool...children...)teaching things you learnt from ... years ago would normally be challenging enough, with the added stress of being ... pregnant with a high risk pregnancy (I have previously lost ...[x] babies) no fun

Person 4: I felt really bad not being able to take flowers to the cemetery on the first anniversary of my husband's death.

Person 5: I have got really bad hives and dental pain during the lockdown. I supposed to have a replaced filling only but now I need to do a root canal. My hives are still not under the control but I am running out of medications. No doctor & specialists are available for further diagnose.

Person 6: Zero income in house. Frustration applying for support on internet. We give up. Wins suck. Really suck. It feels like their working life based on trying to find a reason to decline supporting people has left them

as the worst place for the public to need to go to for support.

Finally, there were humorous or striking responses, intended or otherwise. One person's response was: 'If you really wanted me to answer this you wouldn't have limited the maximum text input, so no.' Another remarked: 'Stop using that bloody word "bubble" God I hate that word to describe home. Hang whoever decided to use it.' Another used a striking metaphor to describe their children's pleasure:

My children are enjoying having me home, they have been like Pauas stuck to me the whole time, so I have been dropping hints and letting them know that I may be going back to work soon, my big girl thinks driving a log truck is stupid and I should work at her school, hmmm

Zombies were on another's mind: 'This is the closest I'm ever going to get to a zombie apocalypse, and it's all just so boring. This is not at all what I was expecting.' And one was simply amused by our questions: 'I enjoyed reading the questions regarding my wife. It gave us a laugh.'

Conclusion

Overall, many more people were positive about the experience of lockdown than anticipated. Responses indicate the strong and positive importance for people of family and time spent with family during lockdown. They also indicate the importance of work to people. The responses also tell us about human resilience and the diversity of individuals' experiences, of humour, hardships and tragedies.

- 1 Respondents who gave a 'No', 'Nope' or some other variant response were excluded as unusable.
- 2 We thank all who did our survey. We are extra grateful to all who responded to our additional open field question.
- 3 Word counts were analysed using <https://www.online-utility.org/text/analyzer.jsp>.

Donna Provoost and Katie Bruce

Doubling Down on Children and Young People's Aspirations Post-lockdown

Abstract

Children and young people experienced the Covid-19 lockdown differently from adults, and we need to consider these impacts as part of the recovery measures. Prior to Covid-19, cracks in our social system were already evident. At that time, children and young people told us what they wanted in order to create better future. The aspirations they shared are even more relevant post-Covid-19. Their views shaped the Child and Youth Wellbeing Strategy, and our best approach to supporting child wellbeing as part of the recovery is to double down on implementing this strategy. This will ensure that the recovery response is child-centred, holistic and aspirational.

Keywords children, youth, wellbeing, child-centred, Covid-19

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All children in Aotearoa New Zealand have the right to access the resources that support them to thrive, like healthy food, access to healthcare, a warm, dry home, quality education and safe places to play. During our Covid-19 lockdown, New Zealand's 1.2 million children and young people under 18 – about a quarter of the population – were considered mainly in terms of what supports were needed for education and learning. There was also some recognition of how disruptive it was for parents trying to work from home while also dealing with their children. But, overall, there was very little focus on children and young people themselves.

The post-lockdown recovery phase is the time to double down on children and young people's aspirations. Children and young people will inherit the system we rebuild and they will also inherit the financial burden of our post-pandemic recovery. They deserve a say in what it looks

like, and to benefit from the recovery measures.

Existing inequities

Prior to Covid-19 and prior to our unprecedented national lockdown, cracks in our social system were already evident. Child poverty, youth suicide and ongoing colonisation adversely affected the lives of many children, young people and their families and whānau in Aotearoa New Zealand. This pandemic laid bare the vast spaces between our different everyday experiences, and no more so than for our children.

The period of lockdown was particularly hard for those families in poverty, facing the challenges of parenting alone, with inadequate or overcrowded housing, or dealing with mental health issues and disabilities. Even more so post-lockdown, these underlying issues need addressing as job losses and reduced income increase for many families and whānau.

For recovery, we need to consider the policy responses that will create a better environment in which children and young people can grow, develop and thrive. Reorienting how policy is developed can be part of this. This can be done by being child-centred and considering the interests, rights and wellbeing of children and young people in all policies and funding. Greater attention needs to be paid to what children and young people have to say for themselves, and stronger partnerships with their family, whānau, iwi and community contexts and supports.

Children and young people want a better future

Children are the experts on their own experience and we already know a lot about what children and young people want for the future. In 2019 the Office of the Children's Commissioner and Oranga Tamariki together published *What Makes a Good Life?*, a report which shared the views of over 6,000 children and young people on what wellbeing meant to them (Office of the Children's Commissioner and Oranga Tamariki, 2019). Their ideas and experiences fed into the Child and Youth Wellbeing Strategy (2019). In addition, prior to the 2017 general election the Office of the Children's Commissioner

... prior to the 2017 general election the Office of the Children's Commissioner asked children and young people for their ideas on what were the biggest challenges facing Aotearoa New Zealand, and what they wanted government to do about them ...

asked children and young people for their ideas on what were the biggest challenges facing Aotearoa New Zealand, and what they wanted government to do about them (Office of the Children's Commissioner, 2017). From these reports, clear themes emerged about what children and young people would like to see policies address.

- *A more equitable New Zealand for all.* Children and young people want more action to reduce and even eliminate child poverty. Children and young people want 'the basics', such as a home, an education and a safe community. But they want more than just a minimum standard of living. They want the systems that support them to be inclusive, accessible and affordable. A social welfare system that is adequate and meets these needs should be a priority of our pandemic recovery.
- *A fairer New Zealand for all children.* Some children and young people are

doing it really hard. Many children and young people face significant challenges, such as racism, bullying, discrimination, judgment, violence, drugs and a feeling of continually being let down. These children are more likely to experience ongoing disproportionate effects from the pandemic and the implications of the lockdown. These children and young people will require more support.

- *To be accepted, respected and listened to.* Children and young people told us that they want to be accepted, valued and believed in, and they want people to support their hopes for the future. Children and young people will have ideas and suggestions for how to get Aotearoa New Zealand moving in the next 6–12 months that are about building a positive future, not just rebuilding the past.
- *To have help for whānau and support crew.* Whānau are a critical factor in children and young people's wellbeing. In general, for children and young people to be well, their whānau, friends and communities must also be well. Wellbeing is about relationships, not just about things. Some of the silver-lining stories that have come out share acts of kindness and compassion for others in our communities, and the time families have had together. These need to be part of the new normal after lockdown so that we learn from the positives as well as the challenges.
- *A clean and sustainable environment.* Children and young people care deeply about the environment, on a local, national and global level. They want action to clean up the environment and have its ongoing protection be a central focus for government.

These themes point not only to what policy areas children and young people want to see change, but also to changes in the approach of agencies in how they engage with and support them, their families, whānau and communities.

Children and young people's aspirations

The Child and Youth Wellbeing Strategy started from a position that a change in approach was needed to bring about change in wellbeing for Aotearoa New

Zealand's children and young people. The strategy set out a holistic and aspirational approach to wellbeing. While this platform laid out a new direction, it has not been implemented with any urgency at all, and, to date, is yet to be embedded in the policy and funding mechanisms of government.

Rapid and responsive policy were the order of the day for the emergency period, March–May 2020. Those advocating for increased flexibility in how individualised funding for disability supports could be spent saw changes that were previously deemed too hard happen on a temporary basis overnight. The welfare responses for Covid-affected businesses and individuals have reflected the high trust and accessibility that the Welfare Expert Advisory Group recommended the government adopt across the welfare system last year (Welfare Expert Advisory Group, 2019).

The pandemic and its impacts have happened rapidly, and forced us to act quickly. But the issues we are addressing because of Covid-19 and the lockdown already existed. The willingness to do things differently and to accelerate action shows us that these things are possible. Nothing need stay in the 'too hard basket'.

But we have also seen some downsides of the rapid policy development. In a crisis

we revert to what we know. Assumptions are made about the size and the nature of the issues that the policy is aiming to address, and very little room is made for partnership, for a Treaty of Waitangi analysis and for child-centred policymaking. Iwi and community networks were excluded as Civil Defence Emergency Management became the funding mechanism to reach communities. There is little opportunity for consultation, co-design or partnered responses when relationships and networks are not invested in outside times of crisis.

Perhaps we do not need a new plan for addressing the pandemic recovery. Instead, we need to apply urgency for action on the well-researched and planned Child and Youth Wellbeing Strategy, developed and published, but not yet implemented. Policy advisors need now to double down on the wellbeing approach. By investing in genuinely transformative actions for communities and government agencies to progress the strategy, we will have assurances that we are heading in the right direction.

We can be child-centred and adapt as we go
The approach outlined in this short article encourages starting with what we know

will improve child and youth wellbeing to address the underlying issues that the lockdown deepened and widened. This shock to our social and economic routines also brought some reflection on and focus to what is important to us as New Zealanders. This is also true for children and young people, and the full diversity of their experiences and aspirations must be central as we rebuild.

The Office of the Children's Commissioner is currently asking over 1,000 children and young people about their experiences during lockdown – not just about the bad, but also what was positive about this time.¹ These new experiences of what is possible will influence their ideas and aspirations for the future.

Children and young people must have a say in building a response that is not just shovel-ready, but future-ready. This will demand that the recovery policy and investment plan is child-centred, builds on the positives we have learned, and implements the holistic vision of the Child and Youth Wellbeing Strategy fully, in partnership with iwi and communities.

¹ Results to be shared on www.occ.org.nz from early August.

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Jonathan Boston

Transforming the Economy: why a 'green recovery' from Covid-19 is vital

Abstract

The global ecological crisis poses much greater risks to humanity than Covid-19. At the same time, the pandemic provides a unique opportunity for governments to pursue a 'greener' and more sustainable future, for example through large-scale investments in clean energy sources, energy efficiency, waste reduction technologies, climate-resilient infrastructure, regenerative agriculture and biodiversity protection. Yet, despite the urging of leading economists, ecologists and investors, measures to enhance ecological sustainability have not been prioritised in most governmental fiscal and regulatory responses to the pandemic. This article briefly summarises the nature of the current ecological crisis and, with particular reference to New Zealand, the policy measures required for an effective response. Fundamentally, a step change is needed from the current *linear* economy (based on finite energy sources and other non-renewable natural resources) to a more *circular* economy (based on renewable energy sources, the minimisation of waste and the efficient use of natural resources).

Keywords ecological crisis, green recovery, economic transformation, decarbonisation, circular economy

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The Covid-19 pandemic has inflicted major economic harm globally. More grim news is likely, especially regarding unemployment. But humanity faces much greater and more protracted harm if it fails to live within safe biophysical limits. Currently, many safe limits are being exceeded at multiple scales – global, regional, national and local (Rockström et al., 2009; Steffen et al., 2015; IPCC, 2018). For a genuinely sustainable and inclusive future, a radical transformation of the global economy is urgently required (Harvey, 2020; Hagens, 2020; Hepburn et al., 2020; UNEP, 2019). Given its natural endowments and competent democratic governance, New Zealand should be at the forefront of this transformation. Sadly, with a few notable exceptions, it is not (see Blaschke, 2020; Hall, 2019; Productivity Commission, 2018; OECD, 2017).

This article comments briefly on the nature and scale of the ecological crisis facing humanity, noting in particular New Zealand's indifferent, if not poor, environmental record, and explains why a 'green' recovery from the pandemic is vital. It then outlines the principles that should inform the quest for a more sustainable and resilient economy, highlighting some of the specific policy reforms required in New Zealand. This includes a brief discussion of an idea gaining prominence internationally

about shifting from a linear to a circular economy (Climate Change Committee, 2020; Kornhonen, Honkasalo and Seppälä, 2018).

The ecological crisis

From an ecological perspective, the main global challenges include the growing risk of dangerous climate change, an unprecedented and escalating loss of biodiversity, increasing levels of atmospheric, terrestrial and marine pollution, massive deforestation, and significant soil retrogression and degradation. Most of these problems are interconnected; they are all well documented by the international scientific community. Without urgent, comprehensive and sustained international efforts, the Earth will become increasingly less hospitable for human habitation. Critical tipping points will be crossed, inflicting irreversible damage. Future generations deserve better. Our 'common home', as Pope Francis calls it, must be protected.

While New Zealand celebrates its 'clean and green' image, serious ecological problems in multiple domains are evident.¹ Both gross and net greenhouse gas emissions have risen significantly over recent decades due to land-use change, the intensification of dairying and rising land transport emissions. The long-term loss of native forests and wetlands continues, as does the loss of soil due to erosion, urbanisation and poor land-use management. Many of the country's unique freshwater species, habitats and ecosystems are endangered, with around three-quarters of native freshwater fish threatened with, or at risk of, extinction. Similarly, of marine species assessed, some 90% of seabirds, 80% of shorebirds and 22% of marine mammals are under threat or at risk of extinction. To compound matters, New Zealand produces a high volume of waste per capita and has barely begun to address the problem. Meanwhile, water pollution affects numerous rivers, aquifers, lakes and estuaries. And so the list could go on.

Climate change

Climate change is particularly concerning because of its widespread, severe and

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often irreversible impacts, as highlighted by recent reports of the Intergovernmental Panel on Climate Change (see IPCC, 2018). The Paris Agreement of 2015 commits the international community to implementing measures to limit the global average temperature to 'well below 2°C above pre-industrial levels' and ideally to no more than 1.5°C above pre-industrial levels. Such goals are extremely demanding. The Earth's mean surface temperature has already increased by at least 1.0°C since the 19th century. To remain within the 1.5°C warming cap (i.e. with little or no overshooting), global net anthropogenic carbon dioxide (CO₂) emissions must fall by around 45% from 2010 levels by 2030 (i.e. about 7% per annum) and reach zero by around 2050 (ibid., p.14). To limit global warming to below 2°C, CO₂ emissions must fall by about 25% by 2030 and reach zero by about 2070. Such scenarios also require deep reductions in non-CO₂ emissions (e.g. methane and nitrous oxide).

Three caveats deserve immediate mention. First, there is nothing 'safe' about

global average temperature increases of 1.5°C or 2°C (IPCC, 2018). A rise of these magnitudes is consistent with, among other things, a multi-metre increase in the sea level over the coming centuries. This would cause enormous damage to coastal cities, public infrastructure and ecosystems.

Second, a recent assessment by the United Nations Environment Programme (2019) paints a bleak picture. In the decade to 2018, greenhouse gas emissions rose 1.5% per annum on average, reaching a record high in 2018 of 55.3 Gt CO₂e. Worse, the emissions-reduction commitments of the global community since the Paris Agreement fall far short of those required to remain within a 2°C warming cap, let alone a 1.5°C cap. Indeed, they are consistent with an average increase of more than 3°C by 2100. For global emissions to fall quickly, aggressive policy measures by the major economies and massive private sector investment in renewable technologies are essential.

Admittedly, Covid-19 may depress emissions during 2020, with global CO₂ emissions falling by an estimated 17% in April 2020 (Harvey, 2020; Le Quéré et al., 2020) and closer to 40% in New Zealand. But any reduction generated by behavioural rather than systemic changes might be only temporary. Moreover, evaluations of global policy responses to the pandemic suggest that few of the massive fiscal stimulus packages announced thus far (estimated at close to US\$9 trillion) will reduce greenhouse gas emissions or enhance other environmental goals (Hepburn et al., 2020; IEA, 2020). Indeed, significant additional investment in carbon-intensive infrastructure, together with high-carbon production and consumption goods, now seems likely. If so, an unprecedented global opportunity to accelerate the transition to a low-carbon economy will be missed.

Third, recent findings from leading international climate modelling teams, including the Hadley Centre at the UK Met Office, point to the climate system being more sensitive to changes in atmospheric concentrations of CO₂ than previously thought (Palmer, 2020; Watts, 2020; Williams, Hewitt and Bodas-Salcedo, 2020). Climate sensitivity refers to the amount of warming expected from a sustained doubling of atmospheric

concentrations of CO₂ (i.e. from 280 parts per million (ppm) in the pre-industrial period to 560ppm; they are currently about 417ppm). Until recently climate sensitivity was estimated at 3°C. But, as knowledge of the microphysics of clouds improves, there is evidence that climate sensitivity may be closer to 5°C. It is too early for firm conclusions, but if such findings are correct they would be deeply concerning. Keeping within a 2°C warming cap, let alone a lower cap, would then be all but impossible.

New Zealand's greenhouse gas emissions comprise only a tiny fraction of global emissions (about 0.17%). But, despite a heavy reliance on renewable energy sources for electricity, gross CO₂ emissions were 7.7 tonnes per capita in 2017 (close to the developed world average, but well above the global average of about 5 tonnes), while gross CO₂e emissions (i.e. including non-CO₂ gases such as methane and nitrous oxide) were 17.2 tonnes per capita, which is the sixth highest in the developed world (Ministry for the Environment, 2020, p.6).

Policy measures to reduce greenhouse gas emissions in recent decades have been ad hoc, modest and largely ineffectual. To be sure, the current Labour-led government has enacted legislation – the Climate Change Response (Zero Carbon) Amendment Act 2019 – which sets an ambitious target of net zero emissions for all greenhouse gases (other than biogenic methane) by 2050 and a lesser target to reduce biogenic methane emissions by 24–47% by 2050 (relative to 2017). It has also strengthened the Emissions Trading Scheme (e.g. by placing a cap on the total allowed emissions under the scheme), and implemented various other measures to reduce emissions (e.g. via greater investment in clean transport options).

But existing policy settings are not consistent with the 2050 emissions-reduction targets. Nor will they achieve anything like a 45% reduction in net CO₂ emissions by 2030 (compared to 2010 levels) – which, as noted, the IPCC estimates is necessary to have a reasonable chance of avoiding warming of more than 1.5°C (IPCC, 2018). Moreover, given New Zealand's relatively high per capita annual emissions of CO₂ and other greenhouse gases, together with high cumulative

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emissions per capita, basic principles of distributive justice suggest that this country should be making a greater than average global effort.

Aside from this, New Zealand has barely begun to prepare for the enormous impacts of climate change during the 21st century and beyond, including sea level rise, more severe storms and more protracted droughts (see, for instance, Ministry for the Environment, 2017). Huge investments in more resilient public infrastructure, such as water services and transportation networks, and the relocation of numerous coastal settlements will be required over the coming decades.

Climate change, of course, is only one of multiple, interconnected ecological issues – such as biodiversity loss, water pollution, land degradation and plastic waste – which must be tackled urgently. A systematic effort to address such problems will require major policy changes, globally and locally. Few of these will be easy politically to implement, not least because

of the power of vested interests, the fiscal costs entailed and the likely distributional impacts. But a failure to act now will simply increase the financial and non-financial costs borne by future generations.

Goals and principles for a post-Covid-19 recovery

Crises create opportunities. Covid-19 provides an opportunity to reorient economic policy globally for greater environmental sustainability. First, the pandemic has created an urgent need for a major boost in public expenditure to help maintain overall economic activity, including both consumption and investment. Second, the pandemic has been hugely disruptive, both socially and economically – dislocating well-established supply chains, altering patterns of work and social interactions, disrupting major industries (e.g. aviation, tourism and the hospitality sector), and generating substantial pockets of unemployment and underutilised capital. These impacts, in turn, create the conditions for policy innovation and reform – but only if governments have the foresight and willingness to act.

For policymakers open to a transformative recovery rather than business as usual, much authoritative advice is available. Responding to the pandemic, numerous international organisations (e.g. the International Energy Agency, OECD, IMF and World Bank), leading think tanks, major research organisations and independent governmental agencies (e.g. climate change committees and environmental commissions) have published a raft of strategies and agendas for a 'green recovery'.² While the proposals differ in certain respects, there is general agreement on the core policy objectives. These include working towards achieving the United Nations Sustainable Development Goals by 2030, keeping faith with the Paris Agreement, pursuing concerted efforts to protect biodiversity and restore nature, and enabling a just transition to a zero-emissions economy. Equally, there is general agreement on the policy reforms required for a more sustainable future. Key measures include:

- substantial public investments in clean technologies and climate-resilient infrastructure;

- regulatory measures to speed up the decarbonisation of stationary energy systems and transportation;
- policies to promote sustainable production and consumption, including the proper pricing of environmental externalities;
- measures to improve land management and carbon sequestration; and
- greater public expenditure on research, innovation and training in low-carbon products, processes and services.

In New Zealand, the global calls for a green recovery have been echoed by numerous business leaders, non-governmental organisations, researchers and independent public bodies. For instance, the Climate Change Commission, in a series of letters to the minister for climate change, James Shaw, has outlined how the government's economic response to the pandemic could help mitigate climate change and adapt to its impacts. Six principles were enunciated in the commission's first letter (Climate Change Commission, 2020a), and can be summarised as follows:

1. Consider how stimulus investments can deliver long-term climate benefits (e.g. by future-proofing investments in infrastructure, avoiding investments in long-lived assets that lock in high emissions or generate stranded assets, and applying a climate lens to spatial planning decisions).
2. Bring forward transformational climate change investments that need to happen anyway.
3. Prepare our workforce for the jobs of tomorrow in a low-emissions and climate-resilient economy and society (e.g. by investing in education and training and revitalising educational institutions affected by the pandemic).
4. Work in partnership with key stakeholders to enhance change and innovation (e.g. with iwi/Māori, consistent with the principles of te Tiriti o Waitangi, with businesses to leverage private sector action and finance, and with the research community to identify new opportunities and tools).
5. Maintain incentives to reduce emissions and adapt to climate change (e.g. by ensuring that market, regulatory and

... the reform agenda must extend well beyond decarbonisation and adaptation to climate change.

policy measures are aligned with long-term climate change goals, including a clear and credible signal for low-emissions investment through the Emissions Trading Scheme).

6. Change how the success of the economic recovery is measured (e.g. through utilising a broad range of wellbeing indicators that sit alongside the traditional economic indicators).

While these principles have undoubted merit, several additional considerations warrant attention. Any 'green recovery' must give proper weight to principles of distributive justice. Hence, the process must be not only fast, but also fair (see Boston and Hall, 2019; Productivity Commission, 2018, pp.271–99). This will require the systematic integration of economic, social and environmental policies. In particular, effective policy measures will be needed to assist those citizens and communities least able to cope with major adjustments to relative prices and disruptive technologies (e.g. through reforms to the tax–benefit system and active labour market policies).

Towards a circular economy

Next, the reform agenda must extend well beyond decarbonisation and adaptation to climate change. It must also address the many other environmental challenges facing the country, as outlined earlier. In effect, this means shifting from a linear to a circular economy. A linear economy relies heavily on non-renewable energy sources and other non-renewable natural resources. In terms of resource use, the approach is one of 'take, make and dispose'. But without a full accounting for, and proper costing of, environmental externalities,

such an approach is inefficient. Invariably it results in a high volume of waste, degradation of the terrestrial and marine environment, and damage to multiple ecosystem services. Ultimately, a linear economy will undermine vital planetary life-support systems.

By contrast, a circular economy involves operating within safe biophysical limits, at multiple scales and across all economic domains.³ To be sure, the concept of the circular economy continues to evolve; nor is it without problems or critics (Geissdoerfer et al., 2017; Kornhonen, Honkasalo and Seppälä, 2018; Millar, McLaughlin and Börger, 2019). Nevertheless, the concept embraces at least five key features, all of which merit attention.

First, central to the idea of circularity is that economic activity must be decoupled from the continuous extraction and consumption of finite, non-renewable resources, such as fossil fuels. Instead, the economy must rely on renewable energy sources and, wherever possible, materials from renewable sources (e.g. food, fibres and wood). This means living within the regenerative capacity of the planet's natural resources.

Second, a core aim is to design all forms of waste out of the systems of production and consumption. This entails keeping most material resources 'circulating' in a 'cradle-to-cradle life cycle' for as long as possible, with any waste products serving as 'food' for other economic processes. This process is applicable to every form of economic activity (e.g. agriculture, manufacturing and construction) and all types of goods and services (e.g. food, clothing, furniture, equipment, vehicles and infrastructure).

Third, a circular economy involves extracting the maximum value from material resources while they are in use, followed by processes of recovery and regeneration (e.g. this may include, depending on the circumstances, reuse, repair, remanufacture, refurbishment, recycling, composting and reverse cycles). The goal, in other words, is not only ecological sustainability but also the most efficient and effective use of material resources. Productivity improvement

through technological innovation is thus central to a circular economy.

Fourth, a key goal is to restore, rebuild and improve the full range of capital stocks on which human civilisation depends, including natural, human, social and manufactured capital, in the interests of better economic, social and environmental outcomes. Given the amount of damage already inflicted, the process of restoring various natural capital stocks will be long and arduous.

Finally, moving to a circular economy means embedding a long-term perspective – one that gives proper weight to intergenerational fairness, risk management and ecological values – in all areas of economic policymaking. This must include spatial planning, industry policy, energy policy, transport policy, infrastructure investment, building and construction, housing, procurement and tourism. Commitment devices, institutional arrangements and analytical frameworks that incentivise sound intertemporal governance rather than short-termist policies are vital (Boston, 2017).

Securing an economic step change towards sustainability

While the overall destination of a more resilient, inclusive and circular economy can be readily specified (at least in broad terms), how best to undertake the journey is less clear. There are multiple barriers, not least entrenched interests, limited public knowledge and understanding, significant conceptual challenges, and complex technical and policy issues (Galvão et al., 2018; Millar, McLaughlin and Börger, 2019). A systematic roadmap of the required fiscal, regulatory and other policy reforms required is not possible here; some brief suggestions must suffice. More comprehensive accounts are readily available (see, for instance, Blaschke, 2020; Climate Change Committee, 2020; Productivity Commission, 2018; Royal Society of New Zealand, 2016).

For New Zealand to embrace a circular economy, at least two steps are critical – decarbonisation and waste minimisation. In both cases there is considerable scope to harness funding from the Covid-19 fiscal stimulus package and the Provincial Growth Fund.

[Post-Covid-19]
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Decarbonising land transport

With respect to decarbonisation, land transport accounts for around 20% of the country's greenhouse gas emissions or close to 40% of CO₂ emissions (see Productivity Commission, 2018). Of these emissions, 75% are from light vehicles, with close to 60% from passenger vehicles and the rest from light commercial vehicles. These emissions could be eliminated over the coming decades through a greater reliance on public transport and active transportation modes (i.e. cycling and walking), car sharing schemes, and the progressive electrification of the light vehicle fleet. The required technologies for electrification are readily available; they simply need to be applied. Various policy reforms could speed up this process (see Barton and Schütte, 2017; Bhardwaja et al., 2020), including some mix of the following measures:

- introducing effective regulatory standards for fuel economy and CO₂ emissions;
- introducing a feebate scheme with rebates for low-emissions vehicles and extra charges for high-emissions vehicles (e.g. as in France and Sweden);
- banning the purchase of new vehicles with internal combustion engines beyond a specified date (e.g. Norway has set a date of 2025, the UK 2035);
- requiring all light vehicles to be emissions free by a specified date (e.g. the Netherlands has set a date of 2030); and

- developing a more comprehensive electric vehicle (EV) charging network, including requiring all petrol stations to install EV charging equipment (e.g. as in Germany).

At the same time, appropriate regulations must be implemented to ensure that all EV components, not least the batteries, are reusable or recyclable. This leads naturally to the critical topic of waste.

Minimising waste

New Zealand is among the most wasteful societies per capita. The country's waste management and recycling systems are weak, fragmented and inconsistent. Admittedly, a comprehensive and progressive Waste Minimisation Act was enacted over a decade ago (2008), but its provisions have yet to be properly applied (Blumhardt, 2018). Numerous policy reforms are needed if resources are to be better utilised and waste minimised. Priorities must include:

- encouraging investment in systems and processes for waste prevention, including regulatory reform to incentivise product redesign for modularity, repairability and upgradability. The aim must be to design waste out of the system, preferably at the top of supply chains by ensuring the reuse of materials (e.g. via reusable packaging and sterilisation infrastructure) rather than recycling;
- extending the government's waste work programme proposals, including raising the waste disposal levy and implementing regulated product stewardship schemes;
- phasing out single-use disposable items and difficult to recycle products, such as composite materials and certain plastic polymer types;
- encouraging a greater reliance on the sharing economy for items such as cars, electronics and appliances;
- encouraging investment in a nationwide network of decentralised composting and vermicomposting systems for organic waste, as well as paper and cardboard waste that cannot be recycled onshore;
- requiring consistent waste management and recycling collections across New Zealand, including standardising

accepted materials, and moving towards source-separated recycle collections rather than commingled collections; and

- requiring high sustainability standards in the building and construction industry, including waste minimisation and resource recovery.⁴

Enhancing climate resilience

Finally, preparing for the impacts of climate change – including sea level rise, more powerful storms and more severe droughts – is crucial. Substantial public investment will be required in climate-resilient public infrastructure, including upgrading and relocating water services and coastal transport networks, and improving water storage for urban and agricultural uses. In the wake of Covid-19,

investing now for a more secure future makes sense.

Conclusion

Human-induced environmental change is gathering pace. The risk of catastrophic ecological impacts is growing. The time frame within which to avert such outcomes is short. The Covid-19 pandemic is a defining moment. It provides a remarkable opportunity for a major policy reset, one focused on enhancing sustainability, resilience and fairness. Seizing the opportunity for a 'green recovery' is vital economically, socially and environmentally, both here in New Zealand and globally.

Environmental Reporting Act 2015.

- 2 See, for instance, Climate Change Commission, 2020a, 2020b; Climate Change Committee, 2020; Environmental Justice Commission, 2020; International Energy Agency, 2020; Productivity Commission, 2018.
- 3 For a brief overview of the circular economy, see <https://www.ellenmacarthurfoundation.org/circular-economy/what-is-the-circular-economy>.
- 4 Of relevance here are: the resources and tools of REBRI (Resource Efficiency in the Building and Related Industry); the Infrastructure Sustainability Council of Australia rating system; the New Zealand Green Building Council's green star ratings; the New Zealand Ecolabelling Trust's environmental choice specifications; and the requirements in London for planning applications to include a circular economy statement demonstrating how building components can be disassembled and reused.

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¹ For details, see OECD, 2017, and the growing volume of domain and synthesis reports produced by the Ministry for the Environment and Stats NZ, as required under the

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Support for Workers in the Covid-19 Emergency what can we learn?

Abstract

This article first briefly describes pre-Covid-19 support for workers who lose their jobs in New Zealand, then outlines and evaluates the government response to potential and actual job loss in the Covid-19 emergency. The main response was a wage subsidy. Some aspects of it were highly effective; others were problematic and tolerable only because it was a crisis and temporary. It demonstrated the systemic weaknesses in New Zealand's support for displaced workers. The article finally considers what is needed to prepare New Zealand better for times of job loss.

Keywords Covid-19, income support, welfare, unemployment, social insurance, social assistance, active labour market programmes, future of work, just transition, New Zealand

The main support for workers affected by the Covid-19 emergency in New Zealand was a wage subsidy. Some aspects of it were highly effective; others were problematic and tolerable only because it was responding to a crisis and was temporary. It demonstrated the systemic weaknesses in New Zealand's support for workers when jobs are lost. This article first describes existing pre-Covid-19 support for workers who lose their jobs; outlines and evaluates the government response; and finally considers what is needed to prepare New Zealand better for times of job loss.

Context

New Zealand's pre-Covid-19 support for workers whose jobs cease was primarily based on benefits, allowances and programmes administered by the Ministry of Social Development. Tightly income-tested jobseeker benefits are supplemented by various targeted allowances, such as accommodation supplements. Programmes to assist workers are focused on those most likely to claim a benefit rather than the full range of jobless workers. This system has been examined

in two recent reports: by the government's Welfare Expert Advisory Group (2019) and by the OECD (2017).

The Welfare Expert Advisory Group found that both income support and active labour market programmes to assist workers to find jobs were grossly inadequate. For example, a single person receiving the jobseeker support benefit and renting privately had an income, after housing costs, at around 22% of the median household income; a couple with two children renting privately received around

of the more minimalist OECD countries in terms of employment supports for displaced workers.' Consequently, 'the costs of economic restructuring largely fall onto individual workers' (OECD, 2017, pp.74, 104). Replacement jobs were often inferior. This is consistent with income replacement being insufficient to allow workers to search for a job that suits their skills and experience, and poor active labour market programmes. There was a lack of programmes for 'better-skilled' workers and only about a third of displaced workers

insignificant' (McAllister, 2020). Household disposable income after housing costs rose an average of 17.5%. But couples on jobseeker benefits still received just 34% of estimated equivalised median household disposable income, and single people as little as 29%, well below standard poverty benchmarks.

A \$1.6 billion free trades and apprenticeship training scheme was announced, as were additional employment programmes, though whether they included substantial quality enhancements is unclear.

The principal income support was a wage subsidy, providing \$585.80 weekly per employee working 20 hours or more and \$350.00 weekly for other employees, paid to the employer in a lump sum in advance for up to 12 weeks. Applications could be made to the Ministry of Social Development immediately. The self-employed could also apply. To qualify, employers attested to an actual or projected 30% reduction in revenue compared to the same period in 2019 for any month between January and June. They declared that 'on their best endeavours, they will continue to employ the affected employees at a minimum of 80% of their income for the duration of the subsidy period. This is the equivalent of keeping people working 4 out of 5 days of the week.' They also undertook to take active steps 'to mitigate the impact of Covid-19'.

Leave payments at the rate of the wage subsidy supported employees who were required to self-isolate, caught Covid-19, or had to care for others in those circumstances. Their employers had to apply on their behalf.

It was deliberately 'high trust', allowing rapid take-up with minimal compliance costs. Employers who broke the rules, the government emphasised, would be committing fraud. Later, the ministry published a list of all subsidised employers, which was scrutinised by academics, journalists and others, and auditors were employed to check the applications. By 15 May the ministry had reported 569,344 applications for wage subsidy and leave payments, of which 449,551 had been approved.

By 15 May, the scheme covered 1.641 million jobs (compared to 2.667 million

The principal income support was a wage subsidy, providing \$585.80 weekly per employee working 20 hours or more and \$350.00 weekly for other employees, paid to the employer in a lump sum in advance for up to 12 weeks.

29% of the median. 'By any measure of poverty, these examples reveal a dire situation' (Welfare Expert Advisory Group, 2019, p.98).

Stand-downs and income testing intensify the inadequacy. For example, workers are frequently ineligible for income support if they have employed partners, yet many households depend on two incomes (*ibid.*, p.136).

Active labour market programmes 'focused too narrowly on reducing the number of people on benefits and short-term fiscal costs with insufficient regard for the suitability of the jobs people go to', creating poor employment outcomes. Spending on such programmes was among the lowest in the OECD, 'far below the level needed' (*ibid.*, pp.129, 134).

In response, the government has indexed benefits to the average weekly wage rather than the Consumers Price Index, but not yet actioned recommendations for significant benefit increases.

Similarly, the OECD found that 'many displaced workers end up in poverty'. It concluded: 'Arguably New Zealand is one

received a benefit. Wage losses were more than in Germany, the United Kingdom, the United States and Portugal. Hyslop and Townsend (2017) estimated that New Zealand displaced workers' earnings were 25–30% lower in the first year and 13–22% lower five years after being displaced. Their employment prospects were reduced for several years.

The government's response to the Covid-19 emergency

The government's main support for workers through the Covid-19 emergency came in a \$12.1 billion package announced on 17 March.

Social welfare beneficiaries received increases costing at \$2.8 billion over four years. This comprised a permanent \$25 per week increase per household in all main benefits from 1 April and doubling of the winter energy payment from 1 May to 1 October. Annual benefit increases also occurred from 1 April, for the first time indexed to the average wage. The Child Poverty Action Group's analysis was that the changes 'were not

people employed in the March quarter), including over 219,000 self-employed, costing \$10.85 billion.

Strengths

- The wage subsidy distributed funding very quickly. Within 10 days, almost 200,000 applications covering almost 460,000 jobs worth \$3,772 billion had been paid out, and half of the \$10.85 billion within a further week.
- It maintained connection between workers and employers, allowing many employees to keep their jobs, and firms to resume work quickly when conditions permitted.
- It supported firms by paying a significant part of their largest cost: labour.
- Even if an employee received only the subsidy, it was considerably more than the jobseeker benefit, and many received much more than that. Some kept their full normal income, and employers were expected to pay at least 80% (though see below). Two income earners in a household could receive it because it was not income-tested.
- It applied to all types of work arrangements. Permanent, fixed-term, immigrant workers without resident status, casual workers and the self-employed were covered (but see below).
- It slowed the rise in unemployment. The number of people on a jobseeker 'Work Ready' benefit rose 50,579 between 17 May 2019 and 15 May 2020 – approximately 2% of the labour force – despite over 1.641 million workers being affected by the lockdown.

Weaknesses

- A low income-replacement rate: there was ultimately no assurance that employees would receive more than the bare subsidy (for example, if their work ceased). The subsidy was only 58% of a 40-hour week on the June 2019 median hourly wage, and 48% of the average wage (pre-tax).¹
- It required the employer to apply and pass it on. This gave rise to multiple problems. Employers paid employees varying amounts, with little control in practice by employees. Some unlawfully demanded employees take leave. Casual

workers relied on employers listing them as employees. Some employers laid workers off rather than claim the subsidy.

- It was open to abuse. Conditions were very difficult to enforce. Unions and labour inspectors attempted to police it, but their resources were far from enough. The New Zealand Council of Trade Unions website received 2,100 complaints in less than three weeks (Young, 2020); by 24 May, the Ministry of Business, Innovation and

and relaxed means testing that allowed most two-income households to claim it; yet it failed to cover temporary immigrant workers and showed other design problems.

It was, therefore, appropriate that the government simultaneously announced that it was working 'on the possibility of a more permanent unemployment insurance scheme in New Zealand. The Future of Work ministers group has commissioned the work following a request from Business New Zealand and the Council of Trade Unions' (Robertson and Sepuloni, 2020).

To make our active labour market programmes fit for purpose, programmes must suit not only workers most frequently needing social assistance but all workers, because most workers experience major involuntary change in employment some time in their working lives, and that may happen more often.

Employment had received 3,888 complaints, including of employer fraud (RNZ, 2020). Auditing was also at an inadequate scale.

The wage subsidy was therefore a very effective response in the circumstances, but showed many signs of having been put together in haste. It was a place-filler because New Zealand did not have adequate systems to cope with income and employment loss in such an emergency – systems as basic as being able to pay all workers directly. Its payment level and conditions were implicit acknowledgement that social security benefits were much too low and conditions too tight to provide an acceptable response.

A temporary 'Covid-19 income relief payment' announced on 25 May for workers who lost their jobs after 1 March was further acknowledgement. Welcome features included direct payment to workers at roughly twice a jobseeker benefit,

What is needed to prepare New Zealand better for such disruptions?

Disruptions to employment are unfortunately not rare. Climate change, technological change, globalisation and changing demographics are affecting the 'future of work'. Natural disasters, pandemics, global crises, business cycles and company closures and restructuring may well recur more frequently. This demands policies and institutions that support people through change so that costs do not land on those with least control over, responsibility for or ability to withstand them: a 'just transition'. It is unfair and will create resistance to needed change if the costs continue to be loaded on those least able to offload them onto someone else.

To make our active labour market programmes fit for purpose, programmes must suit not only workers most frequently

Table 1: Possible types of income support schemes

	Personal provision	Redundancy payment	Social insurance	Status quo
Description	For example: <ul style="list-style-type: none"> • Allow use of KiwiSaver savings • Personal loan scheme • Personal insurance 	Mandated, lump sum either <ul style="list-style-type: none"> • Paid by employer; or • Levy or government funded 	Common fund, like ACC Pays proportion of previous income for defined period	Social welfare benefit system, with or without the Welfare Expert Advisory Group's proposed reforms
Availability	<ul style="list-style-type: none"> • Disadvantages low-income workers and higher-risk jobs (e.g. insecure jobs) 	<ul style="list-style-type: none"> • Mandating creates availability • But failed firm may not be able to pay • Not portable: depends on service with each employer 	<ul style="list-style-type: none"> • High if mandatory and universal (like ACC) • Individual entitlement 	<ul style="list-style-type: none"> • Conceptually universal • But currently many are not eligible due to household-based income testing • Numerous other barriers
Non-discriminatory	<ul style="list-style-type: none"> • Disadvantages young people, Māori, Pasifika, women • Could cover self-employed 	<ul style="list-style-type: none"> • Those in insecure work or shorter tenure receive less; they are more likely to be young or female • Does not assist self-employed 	<ul style="list-style-type: none"> • Depends on design (e.g. minimum and maximum payment rate) • Could cover self-employed 	<ul style="list-style-type: none"> • Household-based income tests discriminate against women • Currently focuses on low-skilled workers • Covers self-employed
Effectiveness	<ul style="list-style-type: none"> • Income available will be very low for some people, including some with most need • Transfers full cost to workers unless subsidised or contribution negotiated from employer • No pooling of risk 	<ul style="list-style-type: none"> • Not means-tested • Most pay-outs are limited to a few weeks pay, regardless of need • If employer pays, it: <ul style="list-style-type: none"> – takes on some of the costs of its actions to others – may increase preference for casual, fixed-term or contractor employment 	<ul style="list-style-type: none"> • Depends on income replacement rate and other features • Funding design determines cost sharing • Conditional on job search or training • Falls back to benefit system when payment period expires 	<ul style="list-style-type: none"> • Welfare Expert Advisory Group proposals would create income adequacy for basic living standard • Otherwise most beneficiaries will remain in poverty • Even the advisory group's proposals leave many people unable to service commitments such as mortgages, rent • Necessary for broader social purposes

needing social assistance but all workers, because most workers experience major involuntary change in employment some time in their working lives, and that may happen more often. Programmes should help workers into good jobs that match their skills and experience rather than the present priority of getting them off benefits. That will require higher quality, more personalised career advice, assistance with job searching, relocation assistance and, perhaps most importantly, support for retraining if career change or updating of existing skills is required. There is an increasing need for education and training throughout people's working lives. Other countries, particularly in northern Europe, have well-developed active labour market policies we can learn from.

For workers to find a job that matches their skills and experience, they must have the time to consider options, search and retrain. Card, Kluge and Weber (2010, 2015) find that giving workers more time to do this can have better longer-term employment outcomes. Yet many cannot afford to spend the time needed. Effective income replacement is essential.

I suggest the criteria for the design of an income replacement scheme should include:

- *Availability to all workers.* For example, it must be useful and accessible for vulnerable and low-income workers, and to both income earners in a household. Universality overcomes problems such as discrimination on the basis of scheme membership, self-

selection by those most likely to need it, affordability, and insurers refusing to cover higher-risk workers.

- *Non-discriminatory.* It should not in practice disadvantage groups such as young people, Māori, Pasifika and women because of their income or work patterns.
- *Effectiveness.* It must be effective in maintaining the wellbeing of workers and their dependants, and enable reasonable time for job search and training. It should protect them from unfair costs of adverse events. Conditions should respect workers' dignity and needs, and society's expectations.

Three general types of scheme have been proposed. Table 1 summarises some features compared to the status quo.²

Personal provision would set up government-regulated accounts (or use KiwiSaver) for individuals to save or insure against redundancy. They could be state-subsidised or a contribution could be negotiated with an employer. Even if subsidised, personal provision puts the main burden of redundancy on the worker. Workers with low incomes have less discretionary income to save or pay insurance premiums. Insurers will charge higher premiums or refuse to cover workers in insecure employment, who may face recurring redundancies. There is little ability to share social costs and benefits more equitably. In most aspects, this is inferior to enhancing the status quo.

A **mandatory redundancy payment** scheme would mandate a tenure-based severance payment on a minimum formula (e.g. four weeks' pay for the first year plus two weeks for each additional year up to a limit). It would be funded by employers (as at present), a levy or government.

Advantages include simplicity and lack of means testing. However, payment size depends on tenure rather than need. In 2019 the median time in a job was under five years.³ Median payments are, therefore, likely to be under 10–12 weeks' pay (depending on the formula), inadequate when it is difficult to find a suitable job. Some would typically have even lower pay-outs: women's median tenure is less than men's, particularly in middle age; young people inescapably have short tenure.

Requiring employers to pay internalises some costs of their actions to the workers, their families, whānau and the state. However, employers may try to avoid the cost by hiring more temporary workers or using contractors. Payment may be problematic if the business has failed. Entitlements are not portable between employers. Availability therefore is problematic. Even if funded by levy or the government, other issues remain.

Whether mandated or not, workers and employers undoubtedly will still negotiate such arrangements.

Social insurance for unemployment is common in the non-Anglo OECD and conceptually similar to ACC's weekly

compensation payments in its levy- and government-funded system. Typically social insurance schemes pay a proportion of previous earnings (ACC pays 80%) to some maximum, but pay-outs are not directly related to levy contributions. A voluntary scheme risks cost escalation if joined mainly by those with a high risk of job loss. ACC has shown that a mandatory scheme can be cost-effective and world-leading (see PricewaterhouseCoopers, 2008), and politically sustainable despite frequent modifications (for international experience, see Boston, 2019, p.36ff).

be progressive. A state contribution would be appropriate for disadvantaged groups and during crises like the present.

Provisions for 'short-time work', becoming common in Europe, could maintain employer–employee connections. In periods when, for prescribed reasons, an employer is temporarily unable to maintain staff numbers, its employees would have their pay topped up to normal levels.

The problems of the status quo benefit system have already been described. The Welfare Expert Advisory Group's enhancements would raise benefits and

A well-designed social insurance scheme for unemployment, accompanied by sound active labour market policies, would be a major step towards a much more resilient society, equipped both for emergencies such as a pandemic and the small and large disruptions that will continue in the future of work.

Availability, non-discrimination and effectiveness depend on scheme design. An 80% rate (which is not out of line internationally) provides a reasonable assurance of maintenance of living standards and commitments such as mortgages and rent. Payments would be conditional on participation in job search, active labour market programmes or training, for a period, typically one–to–two years, after which social welfare benefits would apply. Capping payment rates and providing an adequate minimum improve equity in gender, income distribution and ethnicity terms (Leschke, 2007 provides a gender analysis) permanent, dependent. Other features should be designed with equity in mind. An employer levy would recognise that in general lay-offs are employer decisions and experience rating would incentivise use of more secure forms of employment. Any employee levy could

increase availability but still provide low replacement rates for many. For example, the net income after raised jobseeker benefits, tax credits and accommodation supplements would still provide only between 52% and 70% of net income for parents, both in paid work on the average and median wage, and between 52% and 57% for full-time single people.⁴ Many households on modest wages would still have difficulty servicing mortgages or rents. Nonetheless, the system remains important to underpin other income replacement and for broader social needs. Its reform is essential to eliminate poverty.

The options are not mutually exclusive: for example, a sound social welfare system underpins social insurance; redundancy pay will still be negotiated and co-exist with other options.

The advantages of social insurance are clear in this comparison, with the proviso

that sound design is critical. Like ACC and KiwiSaver, it would create another layer of social support, but one more connected to the social welfare system than ACC, and without KiwiSaver's dependence on personal provision. It may, of course, reopen debate about the use of social insurance in other areas of health and welfare.

The government has announced that work has started. A well-designed social insurance scheme for unemployment, accompanied by sound active labour market policies, would be a major step

towards a much more resilient society, equipped both for emergencies such as a pandemic and the small and large disruptions that will continue in the future of work.

- 1 In the UK a furlough scheme paid workers 80% of their wage up to £2,500 per month (approximately 2019 median full-time employee earnings: Office for National Statistics, Employee earnings in the UK, 2019). Australia's 'JobKeeper' wage subsidy was A\$1,500 per fortnight per employee (58% of a 40-hour week on the August 2019 median hourly wage for employees: Australian Bureau of Statistics, Characteristics of Employment, Series 6333.0, 9 December 2019). New Zealand wages are from the June 2019 income survey collected with Statistics New Zealand's Household Labour Force Survey.
- 2 A universal basic income is not included because to be affordable it would be too low to maintain living standards

on its own.

- 3 Statistics New Zealand's Household Labour Force Survey: Infoshare series HLF265AA.
- 4 Cases are those used in the Welfare Expert Advisory Group report (2019, p.96). Wages from the June 2019 income survey of Statistics New Zealand's Household Labour Force Survey. The higher replacement rate for parents is when one works half time.

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Public issues, Party solutions in 2020: Economic issues

With the 2020 general election almost upon us, Covid-19 infections reaching record highs across the globe, and the world economy nose-diving towards once-in-a-century lows, we invite spokespeople from parties in the current parliament to put forward their economic plans for the future.

Speakers:

Paul Goldsmith, National;
Fletcher Tabuteau,
New Zealand First;
Julie Anne Genter, Greens;
Deborah Russell, Labour.

MC: Susie Ferguson

Date: Monday 24 August

Time: 12.30 pm - 1.30 pm

Venue: Old Government Building
lecture theatre 2



Institute for Governance
and Policy Studies
A research institute of the School of Government

Michael Fletcher

Government's Income Support Responses to the Covid-19 Pandemic

Abstract

Income support policy was already a contentious issue before the arrival of Covid-19, but it has assumed increased significance as a result of the job losses and disruption to people's earnings following the border closures, trade disruption and the period of nationwide lockdown. This article documents the government's income support and social welfare responses to the pandemic and places them in the context of the pre-existing debates around welfare policy. The article finishes with a brief discussion of possible future directions for the welfare state.

Keywords: Covid-19, income support, welfare, unemployment, social insurance, social assistance, New Zealand

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The New Zealand government's labour market and income support response to the Covid-19 pandemic was focused principally on maintaining workers' attachment to their employment, using a wage subsidy scheme and other support for businesses (see Rosenberg, 2020 in this issue). Additional income support for the unemployed and other beneficiaries was also provided, but was considerably less generous. With one exception, all the policies put in place have been time limited. A strong case can be made that welfare policy should not be designed in times of crisis. However, the response to the pandemic has left the government open to criticism as to why its temporary assistance measures were not more even-handed in respect of pre-existing beneficiaries, especially given their prospects of finding work have also been damaged by the pandemic's effects. As we emerge from the immediate health crisis, it also raises the question of where to from here for welfare. It would be unfortunate if any bigger, 'transformational' welfare

policy changes focused on responding to issues highlighted by the pandemic's impacts without first dealing with the well-known pre-existing problems. This article summarises and assesses the government's income support responses to the Covid-19 disruption and then briefly comments on possible implications for the future. It covers the period up to 30 May 2020.

The pre-Covid welfare context

Welfare policy was already contentious before Covid-19. Following its election in 2017, the Labour-led government more or less completely ended the previous, National government's 'social investment approach', which had emphasised conditionality and strict administrative measures to reduce welfare rolls and costs.¹ It also replaced National's pre-election tax package with its own Families Package, which provided substantial additional support to families with children, including beneficiary families. The new government also passed the Child Poverty Reduction Act 2018 and set three- and ten-year targets for reducing child poverty rates.

As part of the confidence and supply agreement with the Green Party to 'overhaul the welfare system', the government also established the Welfare Expert Advisory Group. The group had a wide mandate to provide advice by February 2019 on how to achieve the government's vision of 'a welfare system that ensures people have an adequate income and standard of living, are treated with respect and can live in dignity and are able to participate meaningfully in their communities' (Welfare Expert Advisory Group, 2019, p.184).

The group's report, *Whakamana Tāngata*, was thorough in its analysis, and damning in its findings. Among other things, it emphasised the serious inadequacy of income support levels, the demeaning treatment benefit applicants and recipients often faced, the decay in active labour market programme provision and the inappropriateness of relationship status rules to 21st-century home and work lives. Its recommendations were designed, in the words of the chair, Professor Cindy Kiro, to produce a welfare system that would 'move beyond being a "safety net" to enable "whakamana tāngata" – restoring

An understandable desire to 'get money out the door' quickly ... meant that employers were only required to declare that 'on their best endeavours' they would continue to employ the affected staff and to pay them at least 80% of usual earnings.

dignity to people so they can participate meaningfully with their families and communities' (ibid., p.2). It is important to note, though, that the group's package of recommendations are not necessarily the only way of meeting their goal.

When the government released the Welfare Expert Advisory Group's report in May 2019 it immediately put almost all its recommendations on a '3 to 5 year work programme' back burner (Office of the Minister for Social Development, 2019, p.2), acting only on a couple of recommendations that were already Labour policy. The May 2019 Wellbeing Budget also contained little by way of welfare reform or additional assistance. The amount of allowable earnings before benefits begin to abate was increased by \$10 to \$15 per week. Future annual benefit adjustments were linked to growth in average weekly earnings rather than to consumer prices, a change that will be

significant long-term, but equated to only about \$3 per week extra from 1 April 2020. Ministers continued to signal that further progress on income adequacy could be expected in 2020 (RNZ, 2019). One, perhaps surprising, consequence of the decision not to do more in the 2019 Budget was that the government would almost certainly be too late to achieve its own 2020/21 child poverty reduction targets (Fletcher, 2019).² Certainly, none of the publicly available information suggests Labour would have preferred to act more quickly but was held back by its coalition partner, New Zealand First. Whatever the behind-the-scenes thinking, long before Covid-19 struck it was already clear that in welfare policy the government's first term was not going to be 'transformational' and that the welfare overhaul promise was, at best, a second-term objective.

Responses to the pandemic

On 17 March 2020, the day after border closures were announced³ and before the 'level 4' lockdown began on 26 March, the finance minister, Grant Robertson, presented the government's first Covid-19 economic support package. As well as additional health spending, business cashflow assistance and support for the aviation industry, the main focus of the package was a wage subsidy programme designed to keep people attached to the labour market and an income support package for beneficiaries, superannuitants and some low-income earners. The total cost of the package was estimated at \$12.1 billion over four years, of which the wage subsidy was estimated to cost \$5.1 billion over six months and the income support measures \$2.8 billion over the longer four-year time horizon.

The wage subsidy scheme

The wage subsidy scheme, available to all employers and the self-employed who suffered, or expected to suffer, a 30% or greater fall in revenue due to Covid effects, paid the employer an up-front lump sum amount equal to 12 weeks' subsidy at \$585.80 per week for a full-time worker (20 hours or more) and \$350 per week for a part-time work worker.⁴

The initial version of the scheme limited the maximum any employer could

receive to \$150,000, but the rules were soon amended to remove the cap. An understandable desire to ‘get money out the door’ quickly (Robertson, 2020a) meant that employers were only required to declare that ‘on their best endeavours’ they would continue to employ the affected staff and to pay them at least 80% of usual earnings. Following suggestions of misuse, this requirement was tightened so that employers were required to retain their employees, to use their best endeavours to pay at least 80% of their usual wage and, if that was not possible, to pay at least the full value of the subsidy. By the end of May 2020, \$11 billion had been paid out in wage subsidies in respect of 1.66 million jobs. (Approximately 2.66 million people were employed in March 2020.) A more targeted extension to the scheme was announced in mid-May allowing an extra eight weeks’ subsidy for firms with revenue losses of at least 40% and new and high-growth firms. The extension was open until 19 August.

The New Zealand scheme was similar to the jobkeeper subsidy introduced slightly later in Australia. The main differences were that, in Australia, the subsidy was for six months from 30 March,⁵ is payable monthly in arrears rather than as a lump sum, and has a higher threshold for very large firms (a 50% decline in revenue for firms with an annual turnover in excess of \$1 billion (Morrison, 2020)). Both schemes paid about 58% of earnings for someone working a 40-hour week at the median hourly wage.⁶

Assistance to beneficiaries

The economic support package on 26 March included two main changes for beneficiaries. From 1 April 2020, all core benefit rates were increased by \$25 per week net per household. This is a permanent increase. It represents an 11.4% increase in the single adult jobseeker support rate, 7.4% for the sole parent rate, 6.8% for couples and 6.4% for couples with children. From the same date the annual adjustment took effect, adding an additional 3.1% to all main benefit rates.

The second initiative was a one-off doubling of the cash winter energy payment, payable for 22 weeks from 1 May to 1 October. This amounts to an additional \$450 for single people without children

The Covid-19 income relief payment is therefore similar in form to a short-term social insurance payment for job loss.

and \$700 for couples and singles with children. It applies to all beneficiaries and recipients of New Zealand Superannuation. Interestingly, the minister of finance’s paper to Cabinet recommended a \$1,500 increase to all winter energy payment recipients (Office of the Minister of Finance, 2020) at a cost of \$1.301 billion, but Cabinet decided to cut this to the smaller amount and lower cost of \$0.479 billion. The \$1,500 would have aligned much more closely to the Australian government’s two \$750 payments to beneficiaries, superannuitants and concession card holders⁷ (Department of Social Services, n.d.). It is not clear why Cabinet decided against the more substantial targeted fiscal stimulus package, opting instead for what looks more like a household financial assistance measure (albeit one that is also paid to the minority of New Zealand Superannuation recipients who have high incomes).⁸

Working for Families tax credits

Criteria for entitlement to the in-work tax credit were changed in response to Covid-19 to remove the hours test. The in-work tax credit pays up to \$72.50 per week (more for families with more than three children), in addition to the family tax credit, to families who are not in receipt of a welfare benefit and who meet the minimum work-hours requirement of 20 hours per week for a sole parent and 30 hours combined for a couple. From 17 March existing recipients could

continue to receive the credit even if they were unable to work due to the impacts of Covid-19. From 1 July the in-work tax credit is available to families not on a benefit or student allowance as long as they have ‘some income from work each week’ (Inland Revenue, n.d.).

Hardship assistance and support for food banks

As well as the pre-existing Work and Income hardship and special needs grants, the government provided funding through the National Emergency Management Agency for local authorities, NGOs and regional Civil Defence Emergency Management groups for the delivery of food and other essentials to households in need. The funding came in two lots totalling \$57 million through Vote: Civil Defence. A further \$37 million was allocated in Budget 2020 for the Ministry of Social Development to provide funding for foodbanks through to the end of the 2021/22 financial year. The funding allocation was based on ‘an estimated additional 500,000 individuals and families impacted by Covid-19 who are struggling to afford food’ (Robertson, 2020b, p.26).

The Covid-19 income relief payment

As of early July 2020, the most recent income support initiative was the introduction of the Covid-19 income relief payment. This provides up to eight weeks’ payment to people who lose their jobs or self-employment between 1 March and 30 October due to the impacts of Covid-19. Recipients must have usually worked 15 or more hours per week for at least 12 weeks prior to being laid off. Those with private income insurance or a redundancy payment of \$30,000 or more are not eligible. The Covid-19 income relief payment pays \$490 per week for people who had been working 30 or more hours per week and \$250 per week if previously working 15–29 hours. The \$490 figure is approximately equal to the wage subsidy after the deduction of income tax. The payment is near-individualised: that is, both partners in a couple can receive it (if both lose their jobs) and a person with a working partner qualifies for the full payment unless their partner earns in excess of \$2,000 per week before tax. (Above this figure, they are

entitled to nil.)

The Covid-19 income relief payment is therefore similar in form to a short-term social insurance payment for job loss. Like many European social insurance schemes, it has a prior-employment eligibility requirement; entitlement is based (mostly) on individual, not household, circumstances; and, although not linked to percentage of prior earnings, the rate of payment is considerably higher than the social assistance benefit floor – \$490 net per week compared to \$251 net per week for a single adult on a benefit.

Discussion: looking to the future

Except for the \$25 increase in benefit rates, the social policy changes in response to Covid-19 have all been set up as temporary measures. The government appears to have deliberately avoided bedding in either permanent changes or changes that would be politically hard to unwind.⁹ This is a sensible approach. The 'never waste a good crisis' school of thought notwithstanding, welfare reform should not be structured around times of crisis. Rather, while it needs to be able to respond to emergencies and large, economy-wide shocks, it must first and foremost be designed to protect people against the myriad individual-level shocks and misfortunes that happen in ordinary economic times. Allowing for some hasty and rather makeshift modifications, most of the income and job support tools necessary to respond to the crisis were either already available or were able to be brought back into service. For example, the wage subsidy was modelled on a similar programme used following the Canterbury earthquakes in 2011. That said, the crisis did highlight some pre-existing problems. Two in particular are relevant for considering future directions.

The first is the inadequacy of the minimum safety net. The core benefit increase and the one-off doubling of the winter energy payment, even if it was made permanent, have not resolved this problem. Analysis commissioned by the Child Poverty Action Group concluded that after-housing costs incomes for ten working-age beneficiary household types were all below the 50% of the after-housing costs equivalised median-income poverty line, even after including the government's

Raising core benefit rates and allowing at least some level of individualisation (such as disregarding partner income below, say, the average wage, for the purpose of benefit abatement calculations) would substantially alleviate the long-standing income inadequacy problem identified by the Welfare Expert Advisory Group and others.

Covid-19 assistance measures, with estimates ranging from 29% to 46% of the equivalised median depending on household composition, location and benefit type (McAllister, 2020).¹⁰ Significantly, it is single people without

children receiving either jobseeker support or the supported living payment¹¹ whose equivalised incomes are lowest relative to the median.

The second problem is the failure of the existing welfare system to provide income support to most non-employed people who have an employed partner. This problem comes about primarily because eligibility for welfare is based on joint couple income, but is exacerbated by the low level of the minimum safety net and its tight targeting. A person's entitlement to jobseeker support begins to reduce once their partner's income is \$115 per week and is fully extinguished when it reaches \$664 per week gross (\$34,500 pa).¹² This issue pre-dates Covid-19 and has resulted in very few couples being entitled to any welfare benefit: in 2018 only 7% of all benefits were paid to partnered people (Welfare Expert Advisory Group, 2019, p.44). It is a significant contributor to child poverty among working families, which is low among two-earner families with children (5% in 2017/18), but high among couple families with only one earner (17%) (Fletcher, 2018).

The Covid-related sharp and large increases in unemployment and in the numbers on benefits have emphasised the significance of both of these issues. By late June 2020, total beneficiary numbers had risen to 364,000, an increase since February 2020 of 58,900 or 19.3%. (This includes 10,500 people receiving the Covid-19 income relief payment). The number of people unemployed but not entitled to a benefit is unknown.¹³ It is clear, however, that unemployment – or the fear of impending unemployment – is affecting a large group of people who previously thought themselves to be at low risk. Among these are likely to be a significant number with medium-to-high incomes who will experience relatively larger falls in income when they lose employment.

This latter point is one factor that has led to suggestions, including from the minister of finance, that New Zealand should consider some form of social insurance for unemployment in addition to the existing social assistance welfare system (and as well as the social insurance-based ACC scheme). The issues, and

benefits, of doing so are canvassed in Bill Rosenberg's article here (Rosenberg, 2020).

Two-tier social insurance/social assistance systems exist in most OECD countries. Because of the insurance focus on compensation for loss, rather than alleviating need, they have the advantage of protecting even those with moderately high prior earnings from a sudden sharp reduction in income. At periods during the life cycle when outgoings are high (and savings low) this can be crucial in cushioning the impact. The flipside is that the distributional impact of social insurance schemes tends to favour the better off, relative to New Zealand's flat-rate social assistance welfare. While the maximum cap and the pay percentage can be set so as to limit high pay-outs, both need to be reasonably high or the scheme fails to meet its income-smoothing goal for many people.

Moreover, social insurance only covers those who meet the eligibility criteria. Even if the scheme is as comprehensive as possible, there will be significant groups not covered, and who will be reliant on the welfare minimum income protection floor. In the present New Zealand context this is likely to include many sole parents, young people, people with disabilities or severe health conditions, and marginal workers and long-term unemployed where these people do not have the required work history or their entitlement period has been exhausted.

An alternative way forward is to focus on the pre-existing problems with the current welfare system noted above. Raising core benefit rates and allowing at least some level of individualisation (such as disregarding partner income below, say, the average wage, for the purpose of benefit

abatements calculations) would substantially alleviate the long-standing income inadequacy problem identified by the Welfare Expert Advisory Group and others. It would also go some way towards cushioning the impact of job loss for middle-income families, including in times of economy-wide disruption. It also has the advantage that the changes could be introduced far more easily and quickly than an unemployment insurance scheme.

Responding to the problems highlighted by the pandemic by introducing unemployment insurance also risks making the system more socially divisive, rather than more socially unifying. Those covered by unemployment insurance may see themselves as having less reason to support adequate welfare, even in times of crisis. It is sometimes argued (e.g. Boston, 2019) that evidence from other OECD countries shows that generous social insurance schemes tend to be associated with support for (and the reality of) generous minimum safety net provisions. There is some support for this across countries (but less so across time within a country) (Noël, 2019), but it is far from clear that, in the current New Zealand context, the introduction of unemployment insurance would be associated with an increase in the social assistance welfare floor. In the short term at least, the political and financial realities are that expenditure on one (whether via taxation or payroll levies) is likely to be at the expense of the other. As a society we may want to move towards introducing an unemployment insurance scheme at some point in the future, but there is a strong case for improving our base welfare system first so that it provides adequate minimum income protection and minimises poverty.

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- 1 Non-New Zealand readers should note that the National government's use of the term 'social investment' bore little resemblance to its use elsewhere. For example, the European Union defines social investment as being 'about investing in people. It means policies designed to strengthen people's skills and capacities and support them to participate fully in employment and social life. Key policy areas include education, quality childcare, healthcare, training, job-search assistance and rehabilitation' (European Union, n.d.).
- 2 This is because the survey from which the relevant child poverty measurements will be taken is spread over the period July 2019 to June 2021.
- 3 At this stage the restrictions required all people arriving at the border, other than from the Pacific Islands, to self-isolate for 14 days. Complete travel bans had already been placed on inward movements from China and Iran.
- 4 The \$585.80 per week figure comes from the maximum rate of paid parental leave.
- 5 Although the first payment was not made until the first week of May.
- 6 All employees, New Zealand, July 2019, [https://www.stats.govt.nz/information-releases/labour-market-statistics-income-june-2019-quarter#:~:text=Hourly%20wage%20and%20salary%20earnings,last%20year%20\(2.0%20percent\);](https://www.stats.govt.nz/information-releases/labour-market-statistics-income-june-2019-quarter#:~:text=Hourly%20wage%20and%20salary%20earnings,last%20year%20(2.0%20percent);) Australia, August 2019, <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6333.0Main+Features1August%202019?OpenDocument>.
- 7 The second of these payments excluded those already receiving the coronavirus supplement.
- 8 The papers released by the government on 8 May include an 'Annex' provided by Treasury to the minister of finance on the day of the Cabinet meeting which includes two lower-cost alternative increases in the winter energy payment. Neither of these, however, is the option agreed to by Cabinet (Treasury, 2020).
- 9 There are other areas, outside the scope of this article, where this is not the case, for example in new spending on trades training.
- 10 This analysis is based on the 'fixed-line', or constant-value, equivalised median, adjusted for consumer price inflation to obtain a 2019/20 estimate.
- 11 The supported living payment replaced the invalid's benefit in 2015 and recipients either have a permanent or long-term illness or disability preventing them from working more than 15 hours per week, or are unable to work because they are caring full-time for someone with a long-term or permanent illness or disability.
- 12 The figure is \$702 per week if the couple has children.
- 13 It will be some months before robust estimates based on Statistics New Zealand's Household Labour Force Survey become available. A small survey conducted by the Institute for Governance and Policy Studies and the Roy McKenzie Centre for the Study of Families and Children suggested unemployment may have reached close to 10% by the third week of the lockdown period (9–15 April) (Prickett et al., 2020).

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OBITUARY

Brian Easton

Good and Faithful Servant Jas McKenzie 1939–2020

The earliest assessment of Jas that I recall is that he was 'New Zealand's John Stone', referring to a towering secretary of the Australian Treasury. When I told Jas this he was appalled, because their political views were very different. I explained that the comparison arose because Stone was considered a world-class public servant and public economist, and even when I heard it, in the early 1980s, so was Jas.

I had come across him earlier when his name appeared on some Lincoln Agricultural Economics Research Unit research papers. Jas spent eight years at Lincoln as a student, researcher and

teacher. In those years Bryan Philpott produced a galaxy of young economists thoroughly grounded in economic theory and well trained in empirical methods; Jas was the brightest star. However, he

abandoned academia for the Treasury in 1966 (although he spent a couple of years teaching international trade theory at Auckland University in the early 1970s). This time he was mentored by Henry Lang. His achievements there included being the Treasury officer at the London High Commission, and establishing Treasury's first serious economic forecasting unit in its Internal Economics division. In 1980, the 41-year-old was appointed deputy secretary at the Treasury.

As the Stone quote illustrates, by this time he was greatly, and indeed affectionately, respected by the younger Treasury staff, for added to his economic

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skills were political acumen and skilled management, especially of his subordinates.

The Byzantine intrigues within the Treasury which began about that time are yet to be written up; they would be resolved by Roger Douglas siding with the Rogernomes. Jas was not a Rogernome – he was too grounded in empirical economics – and was an internal critic. He was in the way. The line put to me was: ‘Jas is very good you know, but he has problems ...’ Jas was bipolar, although his most spectacular mood swings were controlled by lithium from 1971. Often such marks are borne long after they become irrelevant. Nor is the upside always observed; a list of the famous who were bipolar – it includes Churchill, Lincoln and Montague Norman – shows that people with bipolar disorder can also be exceptionally creative and insightful in the up phase.

So a public sector economist with international standing had to be sidelined. Nineteen eighty would be the high point of his time at Treasury. In 1986 Jas became secretary of labour. In later years he talked about how unprepared he was for the job. He had spent all his public sector life in a policy-focused department. Now he took over one with huge and straggly operational responsibilities – factory inspection, immigration, job search and skills training, as well as industrial relations. Jas also had a research team in the Labour Market Policy Group, which, having seen how Treasury had lost control of its equivalent unit, he stationed right outside his office. It was a difficult time, with the introduction of the Employment Contracts Act and other neo-liberal changes and with record unemployment, but the many-talented Jas recalls that he enjoyed the management challenge. In 1994, at the age of 55, he retired.

He contributed to a number of independent inquiries, but he had the cussed habit of not telling the government what it wanted to hear, instead offering his best judgement – which often proved correct. And so he returned to Treasury as a consultant – as he described it, he gave up the job of field marshal to become a private again.

Jas described himself as ‘retiring’ in 2002, but he never lost interest in

macroeconomics, international trade, economic growth and political economy in general. Except for the lapse reported below, his main retirement hobby was ‘stimulating conversation’, connecting up with old friends but also making new ones among younger economists; he wanted to know what was going on.

Towards the end of the 2010s he joined an informal university-based group who were reviewing the state of macroeconomics. It was in flux, as is usual although the conventional wisdom rarely appreciates this. It was in even greater flux than usual because the implications of the global financial crisis were still working their way through. Particular to New Zealand was that the Labour opposition had imposed upon itself ‘budget responsibility rules’ which made its economic management principles look as though the party had learned nothing from the crisis. (The rules have been since abandoned under the Covid-19 crisis and the group could argue that it helped prepare the way.)

Jas brought to, or reinforced in, the group three features which reflected his public sector career. First, he brought a history with him and an empirical attitude about using it. An earlier illustration is that he had been on an independent university panel which assessed the Treasury forecasts; earlier he was on the committee which recommended the panel. In early 2008 he was dropped from it for reasons never explained. Now the panel and the Treasury forecasting team had only memories which struggled to go back a decade. Jas’s went back to the 1966 wool price crash (he was involved in dealing with it, and most of the others). There is a basic rule in forecasting a sharp change of direction: forecasters tend to underestimate the severity of the shock. So when the global financial crisis began, the forecasters, without the wisdom of Jas, underestimated the strength and nature of the downturn. This meant that fiscal management in the first years of the Key–English government was based on faulty assumptions.

Second was his experience in policy development and implementation. Outside policy commentators rarely take enough consideration of the practical problems. The 1979 Budget measures reducing

external protection were supervised by Jas. The package looked like a dog’s breakfast; I suppose it was. It was the result of a long struggle between the Treasury and the forces of inertia that Muldoon presided over. What had to be constructed was a package which got as much reduction of the most damaging protection as possible, but which would get past Muldoon. Part of the aim was to make changes which would get things moving and undermine the inertia.

Third, as with the rest of the group Jas was deeply interested in economic theory. In his last stint in Treasury he was challenged to write a framework for macroeconomic policy. Of it he said:

Things had moved on a long way from simple-minded rational expectations. There were now two schools of thought. One school maintained that Say’s law always applied and that the economy is always close to equilibrium, with all resources fully employed. Any fluctuations in economic activity were due to changes in technology. ... The second school of thought stresses that prices don’t adjust quickly enough to ensure that equilibrium can be quickly restored after a shock. I was attracted to this second school. I wrote a long paper stressing that the question of the speed of price adjustment was crucial to modern macroeconomic thinking.

In 1999 Treasury was still riddled with neo-liberal monetarists and the report, which favoured an alternative approach, fell flat. As Jas once commented to me, ‘F*** them; I’m a Keynesian’.

Neo-liberal principles were in retreat when he died during the Covid-19 crisis (but not from the virus). The development and implementation of Keynesian principles in the post-pandemic world will be heavily contested. We will miss his counsel when fashioning the new world, and his stimulating conversation.

Why the Commerce Act 1986 is Unfit for Purpose

Abstract

New Zealand's Commerce Act 1986 overturned both common law consumer protections and previous legislation that had spelled out procedures for identifying and sanctioning the abuse of market power. Inspired by Chicago School doctrines and an anti-state philosophy, the legislation opened the way for three decades of monopoly profiteering, exploitation of the weakest consumer groups and anti-competitive conduct, while regulation has been absent or ineffective. In this article, key weaknesses in the 1986 legislation are examined, and some remedies suggested.

Keywords regulation, antitrust, market power, anti-competitive conduct, consumer surplus standard

As New Zealand's experiment with deregulation enters its fourth decade, documented cases of regulatory failure abound: leaky homes (Dyer, 2019), Pike River (Macfie, 2013; Royal Commission on the Pike River Coal Mine Tragedy, 2012), electricity excess profits (Bertram and Twaddle, 2005; Poletti, 2018; Wolak, 2009), finance company collapses (Lee, 2019), workplace

injuries and deaths (Armstrong, 2014). A common theme running through these failures is that the weakening of regulatory legal requirements in the 1980s and 1990s, under the rubric 'light-handed regulation', was accompanied by a hollowing-out of the public sector's regulatory capability. That was never a necessary combination.

One can imagine a strong state staying its regulatory hand, yet managing to deter abuses

of market power by the credible threat of firm regulatory action. But the particular ideological programme that drove New Zealand's deregulation was motivated as much by a quest to weaken the state as it was by a quest to reduce formal regulatory restraints on big business. That pairing of light-handed regulation and a radically weakened state was and is a recipe for regulatory failure. Experience with New Zealand's Commerce Act 1986 provides a good case study.

Background theory of the state

Writing in 1651, Thomas Hobbes argued the inescapable need for some governing authority to exercise sovereign power to restrain the predatory 'natural passions' of humankind:

the Lawes of Nature (*as Justice, Equity, Modesty, Mercy, and (in summe) doing to others, as wee would be done to,*) of themselves, without the terrour of some Power, to cause them to be observed, are contrary to our natural passions, that carry us to Partiality, Pride, Revenge and the like. And *Covenants, without the Sword, are but Words, and of no strength to secure a man at all.* (Hobbes, 1657, part II, ch.17, pp.223–4, latter emphasis added)

Hobbes, therefore, argued for a strong sovereign authority to establish and enforce rules to restrain unbridled greed and self-aggrandisement, and to impose norms of civilised behaviour. Economic historians such as North (1990, 1991) similarly emphasise the importance of strong, well-designed 'rules of the game' for the historical development of markets under the shelter of constructed institutions, such as property rights and sanctity of contract. The first of these means that some individual or group holds a legitimate exclusive claim over certain resources and the ability to gain from utilisation or sale of those resources. The second means that promises can be made and kept with certainty as to the outcome. Modern capitalism could not have developed without these basic legal and institutional pillars.

But, while necessary, rights of property and contract on their own could never suffice to secure Hobbes's 'justice, equity, modesty, mercy'. Other restraints on human greed, backed by credible enforcement, are equally needed. A century after Hobbes, alongside his argument that competitive markets could in principle harness human self-interest to serve the common good, Adam Smith recognised the need for a 'statesman' to implement a set of 'duties of the sovereign'. Those duties included 'administration of justice' – 'the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it' (Smith, 1776, book IV, ch.ix). That meant an effective prohibition on the use of either political influence or outright coercion to secure economic benefit for a favoured group at the expense of the general population, and the means to enforce that prohibition (Rosenberg, 1960, p.559).

The Golden Rule – Hobbes's 'doing to others as we would be done to' – is the basis for Rawls' use of the conceptual device of a 'veil of ignorance' that strips all the particular powers, assets and attributes that any individual actually possesses, and then asks them to choose among possible social arrangements (Rawls, 1971). Rawls argues that placed in that position, the rational individual will opt to insure against the worst possible outcome, and hence will choose the institutions that best protect the most vulnerable, weakest members of society.

My central proposition in this article is that, if forced to undertake Rawls' 'veil of ignorance' experiment, no rational person would choose the regulatory arrangements that were established in New Zealand during the 1980s and 1990s.

Three central elements in the Commerce Act 1986 are: (1) tolerance of monopolistic price-gouging; (2) an idealised notion of competition that leaves the victims of anti-competitive conduct without remedy; and (3) absence of concern about wealth transfers arising from the exercise of market power, whether from consumers to producers or from small firms to large ones. The next three sections consider how the act deals with these three big issues.

... protection of buyers of the service against price-gouging; recognition that the owner of the monopoly facility is entitled to recover their reasonable costs of operation, maintenance and repair (but no more) ...

Regulating monopolistic price-gouging

Protection of the weak against predation by the strong was a central theme in the English common law as codified by a contemporary of Hobbes, Lord Chief Justice Sir Matthew Hale. In a work entitled 'De Portibus Maris', Hale set out what has since been known as the 'doctrine of prime necessity' or 'essential facilities doctrine', in a clear example of a situation in which the power of the state ought to be used to check the behaviour of a monopolist.

In Hale's port example, the owner of the only wharf and crane in a port that is relied on by many users to undertake their trading business is legally constrained to charge only reasonable rates for use of the facility, because it is 'affected with a public purpose'. Hale puts it thus:

There cannot be taken arbitrary and excessive duties for cranage, wharfage, pesage &c., neither can they be enhanced to an immoderate rate, but the duties

must be reasonable and moderate ... For now the wharf and crane and other conveniences are affected with a public interest, and they cease to be *juris private* only ... But in that case the king may limit by his charter and license him [the wharf owner] to take reasonable tolls, though it be a new port or wharf, and made public; because he is to be at the charge to maintain and repair it, and find those conveniences that are fit for it, as cranes and weights. (Hale, 1787, pp.77–8)

There are three clear and distinct elements here: protection of buyers of the service against price-gouging; recognition that the owner of the monopoly facility is entitled to recover their reasonable costs

of operation, maintenance and repair (but no more); and protection of the process of competition by ensuring open access to all comers on equal terms. This section looks at the first two of these. The next section takes up the third.

In the United States, under the 1890 Sherman Act and the 1914 Clayton Act, regulation to limit essential facility pricing to reasonable levels was the subject of extensive litigation, culminating in a 1944 Supreme Court ruling on the crucial issue of how a monopoly firm's fixed assets should be valued in calculating its reasonable costs (*Federal Power Commission v. Hope Natural Gas Co* 320 U.S. 591; Troxel, 1947, chs 10–17). Central to the *Hope* decision was the proposition that regulated utility rates should be set on the basis of the historic cost of prudently incurred investment. Investors in a monopoly business had the right to receive a 'return on and of' what they actually spent to set up the business, but no more. The resulting

pricing formula corresponds to Adam Smith's 'natural price' (Smith, 1976, book I, ch.7) and Alfred Marshall's 'normal price' (Marshall, 1936, book V, ch.3, section 4).

In New Zealand prior to 1986, this principle was built into the law on price-gouging. Section 54 of the Commerce Act 1975 commenced with the provision: '(1) Every person commits an offence against this Act who whether as principal or agent, and whether by himself or his agent, sells or agrees or offers to sell any goods or services at a price which is unreasonably high.' The section then went on to lay out in detail the procedures to be followed by a court in assessing when a price was unreasonably high.

... since 1986, any decision to regulate a profiteering monopolist has to be a political, not a judicial, one, made by the minister of the day ...

Echoing the US Supreme Court's *Hope* ruling, the standard basis for price setting by courts and tribunals administering New Zealand's Positive List of controlled private sector prices under the Commerce Act 1975 was recovery of operating costs, plus anything up to and including a fair return on and of the capital expenditure actually undertaken to install fixed assets ('original' or 'historic' cost). That upper limit on prices applied also to publicly owned monopoly utilities such as the New Zealand Electricity Division, the regional electricity supply authorities, the harbour boards, airport authorities, and the New Zealand Post Office as owner of the telecommunications system. (The difference between regulated private businesses and those state-owned utilities was that the latter opted not to recover a full commercial return on the historic cost of their fixed assets, in order to hold down the price of what were in those days considered essential services.)

In 1986, at the same time as the state-owned utilities were pushed towards profit-driven corporatisation and privatisation, the old legislation with its clear focus on consumer protection was repealed by the

Commerce Act 1986. The 1986 act made monopoly profiteering (price-gouging) legal except where the minister of commerce takes a political decision to regulate prices by means of an order in council under part IV. In doing so, it stripped away the common law right of redress for victims of price-gouging.

The Commerce Commission, referring to the profits of electricity generators, has crisply summed up the position: 'The exercise of market power to earn market power rents is not ... a contravention of the Commerce Act, but is a lawful, rational exploitation of the ability and incentives available to the generators' (Commerce Commission, 2009, p.6, para ii). The

commission's website is equally clear: 'Charging high prices to consumers is not illegal under section 36 of the Commerce Act' (Commerce Commission, 2019).

Two centuries of common law protection against profiteering were 'ousted' by the 1986 act. The 'doctrine of prime necessity' (or 'essential facilities doctrine'), derived from Hale, previously enabled the courts to determine the reasonableness of charges by the monopolist owner of an essential infrastructure facility, without access to which other parties could not operate. But the decision of the Privy Council in *Telecom Corporation of New Zealand Ltd v Clear Communications Ltd* [1995] 1 NZLR 385 established that the Commerce Act 1986 had removed this protection for parties seeking access to telecommunication networks.

Subsequent decisions of the *Court of Appeal*, in *Vector Ltd v Transpower New Zealand Ltd* [1999] 3 NZLR 646, *Metrowater v Gladwin* (2000) 6 NZBLC 102 and *Pacifica Shipping Ltd v Centreport Ltd* [2003] 1 NZLR 433, made this clear equally for the case of electricity transmission lines, water pipelines and wharf charges respectively. As Justice Tipping said in

delivering the Court of Appeal's decision in *Pacifica Shipping Ltd v Centreport Ltd*:

the doctrine of prime necessity was excluded by the Commerce Act. This conclusion was held to be reinforced by the State-Owned Enterprises Act 1986. The reason the doctrine is excluded is that the only price control available under current New Zealand law is that provided for in Part IV of the Commerce Act, and such control is available only when the conditions set out in Part IV are satisfied. (para 15)

Thus, since 1986, any decision to regulate a profiteering monopolist has to be a political, not a judicial, one, made by the minister of the day, subject to lobbying financed by the monopoly profits of the big business interests threatened with regulation. Even the decision to investigate, as distinct from regulate, was stripped from the Commerce Commission in 1986 and was not restored until October 2018 when a new part 3A was added to the Commerce Act, over vocal opposition from ACT (Seymour, 2018).

The 1986 act, in short, shifted the job of identifying and checking monopoly abuse from courts and tribunals to the minister of commerce. Procedures are informal, rules of evidence are not applied, and officials and the minister are subjected to intense lobbying away from either public gaze or the discipline of a judicial forum. It's easy to get the impression that the regulatory machinery in part IV of the Commerce Act was set up to fail as a credible deterrent to abuse of market power.

As of mid-2020, just four industries have their prices regulated under part IV: electricity networks, gas pipelines, telecommunications networks and (less directly) airports. The regulatory proceedings are complex and highly technical, which renders them largely inaccessible to outsiders. The principled simplicity of Adam Smith's natural price, and the *Hope* principle of allowing no more than fair return on and of the original cost of fixed assets, lie buried under a mountain of submissions, litigation, impenetrable spreadsheets and arbitrary asset valuations.

In the case of electricity networks, the weakest consumers – households – currently pay hundreds of millions of dollars each year in excess of what could have been allowable under New Zealand’s previous price-setting rules under the Commerce Act 1975 (Bertram and Terry, 2000; Bertram, 2006b, 2013, 2014, 2018). Those excess payments are pure rents, sustaining inflated asset valuations established during the sector’s unregulated wild west period, 1994–2002, and locked in by a compliant Commerce Commission in 2002 (Bertram and Twaddle, 2005).

Corporate capture of the regulatory apparatus was given extra scope by the Commerce Amendment Act 2008, which explicitly confirmed that excess profits are legal (by requiring them to be only ‘limited’, not eliminated, in section 52A of the amended act), while simultaneously providing for a right of appeal on the merits against Commerce Commission decisions (ss52Z, 52ZA). The appeal right is limited to parties that have participated in hearings on the decision to be appealed, immediately ruling out ordinary consumers who lack the resources or the representatives to participate continuously in Commerce Commission hearings. The appeals process enables deep-pocketed monopoly interests to hold the commission itself to ransom, given the commission’s limited budget.

Following the 2008 legislation, the giant monopolies in airports, gas pipelines and electricity networks promptly mounted a joint appeal against the commission’s ‘input methodologies’. The large electricity networks argued (among numerous other complaints) that their asset valuations were too low, so their regulated prices should rise. The asset-valuation arguments which they laid before the court resurrected propositions spawned in US litigation following the long-discredited 1898 *Smyth v Ames* decision (171 U.S. 361) and conclusively rejected in the 1944 *Hope* decision. Clearly aware of this, the High Court asked what had happened to the original, historic cost asset valuations of the electricity network assets, and heard that:

The MED [Ministry of Economic Development] and subsequently the Commission took an ODV [Optimised

Deprivation Value] approach for two basic reasons:

- (a) because of a lack of reliable historic cost information, and
 - (b) because they considered that an ODV approach mimics outcomes in competitive markets.
- (*Wellington International Airport and Ors v Commerce Commission*, [2013] NZHC 3289 at para 428)

That alleged ‘lack of reliable historic cost information’ came at the end of 15 years of intensely prescriptive information disclosure which had been the promised crown jewel of

litigation trump card applies not only to price regulation; it has worked even more powerfully to entrench anti-competitive conduct, the subject of the next section.

Protecting the process of competition?

Until 1986, the Commerce Act 1975 had spelled out explicitly several types of anti-competitive conduct that were prohibited, including price collusion (s27), resale price maintenance (s28), tied bundling (s50) and refusal to deal (s23). In addition, there was provision in part III of the act for monopolists’ market conduct in general to be investigated, and penalties or remedies

[The] explicitly prescriptive approach [of the Commerce Act 1975 was dumped overboard in 1986 in favour of a light-handed approach.

light-handed regulation. Detailed financial statements of electricity networks published annually in the *Gazette* until 2008, with strongly supportive audit statements from New Zealand’s top accountancy firms, contained continuously tracked historic cost asset values, grounded in the pre-1994 books of the electricity networks. The proposition that they were not ‘reliable’ and hence could be set aside does not qualify to be described even as a fig leaf.

The ministry and the commission basically sold small consumers down the river. Having done so, the commission has, since 2013, defended the network asset valuations as its ‘line in the sand’ that cannot be revisited. The effect is to put a floor under network prices at the monopoly level established as of 2002, continuously adjusted upward for inflation.

In 2018 a ministerial inquiry, relying on the commission’s own calculations, meekly reported that ‘we found nothing to suggest grid operator Transpower or distributors are making excessive profits’ (Dean et al., 2018, pp.5, 53–5). The lesson for regulated monopolists was clear: regulatory capture works under New Zealand’s prevailing law, and the Commerce Commission can be broken by the credible threat of costly litigation. That

imposed. This explicitly prescriptive approach was dumped overboard in 1986 in favour of a light-handed approach.

It could reasonably have been expected that the Commerce Act 1986 would stand or fall on the effectiveness of its provisions against anti-competitive conduct. In practice it fell. To understand why, one has to bear in mind that the drafting of the legislation was heavily influenced by Chicago School writers, such as Stigler (1971), Posner (1976) and, most directly, Bork (1978).

A standard refrain in antitrust debate is that the goal is ‘protection of the process of competition, not of competitors’. The obvious difficulty with this proposition is that protecting the process of competition by stopping a dominant firm from trampling on its competitors must inescapably be of benefit to, and provide a degree of protection to, those competitors, just as controls on price-gouging will benefit consumers. Regulation that delivers no benefit to anyone is difficult to justify.

In the hands of Chicago adherents the rule ‘protect competition, not competitors’ became the argument that any regulatory intervention that benefits any competitor or competitors at the expense of an incumbent firm is a distortion of the

optimal market outcome. (The Chicago approach is well characterised and critiqued in Hovenkamp, 2019 and Hovenkamp and Morton, 2020.)

Whatever real-world firms were doing could, in Chicago terms, be characterised as just the normal process of competition at work. That in turn meant that virtually any conduct by a firm with power in a market could be defended. Section 36 of the Commerce Act 1986 was where this approach to conduct in a market was encoded. As originally worded, that section read:

In Telecom Corporation of New Zealand Ltd v Clear Communications Ltd [1995] 1 NZLR 385 a clear-cut example of what the textbooks call ‘raising rivals’ costs’ was found entirely legal under the 1986 wording. The Privy Council framed the issue as a counterfactual test: ‘In their Lordships’ view it cannot be said that a person in a dominant market position “uses” that position for the purposes of s36 if he acts in a way which a person not in a dominant position but otherwise in the same circumstances would have acted’; and further, ‘a monopolist is entitled, like

says that all firms, even those with ‘a substantial degree of market power’, are permitted to act in what they judge to be their commercial best interests, regardless of the effect on smaller competitors. What their ‘purpose’ may be cannot be known by outsiders, nor reliably inferred from their conduct. Only in 2019 did a tentative official proposal emerge to change ‘purpose’ into ‘effect’ (Ministry of Business, Innovation and Employment, 2019). Parliament is yet to pick this up.

Meantime, ‘New Zealand is the only country with modern competition law that requires an anti-competitive purpose and does not consider the effects of the conduct’ (MintnerEllisonRuddWatts, 2019). The Commerce Commission puts it this way: ‘a business with a substantial degree of market power can compete in the same way as a business which does not have market power’ (Commerce Commission, 2019). A former commission member says of section 36 that ‘its design allows anti-competitive behaviour to slip through’ (Curtin, 2016, p.13).

In 2015, the manifest inadequacy of section 36 was highlighted at a Commerce Commission conference: ‘Reliance on the counterfactual test ... will fail to condemn conduct that warrants prohibition, *precisely because it fails to attribute any significance to the dominant firm’s market power*’ (Gavil, 2015, p.1046, emphasis added).

Notwithstanding decades of criticism of section 36, officials in the Ministry of Business, Innovation and Employment have continued to give pride of place to the ‘efficiency’ defence of monopoly.

Striving to acquire market power is what encourages innovation, and firms should not be punished when they achieve it. Nor, having acquired market power, should they be prevented from innovating further. Consumers benefit from increased productivity and innovation. (Ministry of Business, Innovation and Employment, 2015 p.15)

Of the sectors in the New Zealand economy with which this author is familiar, the outstanding case study of ‘striving to acquire market power’ and then using it is the electricity sector. Having been left either completely unregulated (in the case

By leaving undefined what was meant by ‘benefit to the public’, the Commerce Act 1986 opened the way for business lobbyists ...

36. Use of dominant position in a market – (1) No person who has a dominant position in a market shall use that position for the purpose of –
- (a) Restricting the entry of any person into that or any other market; or
 - (b) Preventing or deterring any person from engaging in competitive conduct in that or any other market; or
 - (c) Eliminating any person from that or any other market.

In applying the original section 36, the courts used a threefold test: (1) market dominance had to be proved, accompanied by (2) ‘use’ of that dominance, and (3) use had to be for an anti-competitive purpose, as distinct from merely a desire to compete vigorously as any firm is supposed to do. This imposed a burden of proof that simply overwhelmed attempts by private parties and the Commerce Commission to rein in conduct that was transparently anti-competitive in its effects but could not be proven to flow from an anti-competitive purpose (see cases discussed by, for example, Coull, 1998; Farmer, 1994; Berry, 2006; Sumpter, 2012; Ahdar, 2009; Bertram, 2006a).

everyone else, to compete with its competitors: if it is not permitted to do so it would be holding an umbrella over inefficient competitors’.

The same counterfactual test was crucial in a further Privy Council decision, *Carter Holt Harvey v Commerce Commission* [2006] 1 NZLR 145, which cleared Carter Holt Harvey of what (on any common-sense view of the facts – see Bertram, 2006a) amounted to predatory pricing and exclusionary bundling, on the basis that Carter Holt Harvey was merely competing vigorously. That outcome would surely have been different under section 50 of the old Commerce Act 1975.

Rather than clearing up the mess, an amendment to section 36 in 2001 just fiddled with the wording, replacing ‘dominant position’ with ‘substantial degree of market power’ and replacing ‘use’ by ‘take advantage of’. This did not fix the basic problem. The way section 36 of the Commerce Act 1986 is framed means a virtually complete absence of any check on predatory and anti-competitive behaviour so long as the courts stay with the counterfactual test – and that test seems to be what Parliament intended, given that Parliament has not removed it in the 34 years since the act was passed. The law still

of generation and retail) or only nominally ‘regulated’ (transmission and distribution) for over three decades, the sector’s total factor productivity in 2019 was 16% below 1986. Its capital productivity was down 35%. Figures 1 and 2 show the sector’s productivity performance compared with the rest of the economy since 2000, as electricity profits boomed, price-gouging of residential consumers roared on and competitive entry was foreclosed.²

Wealth distribution: benefits and detriments

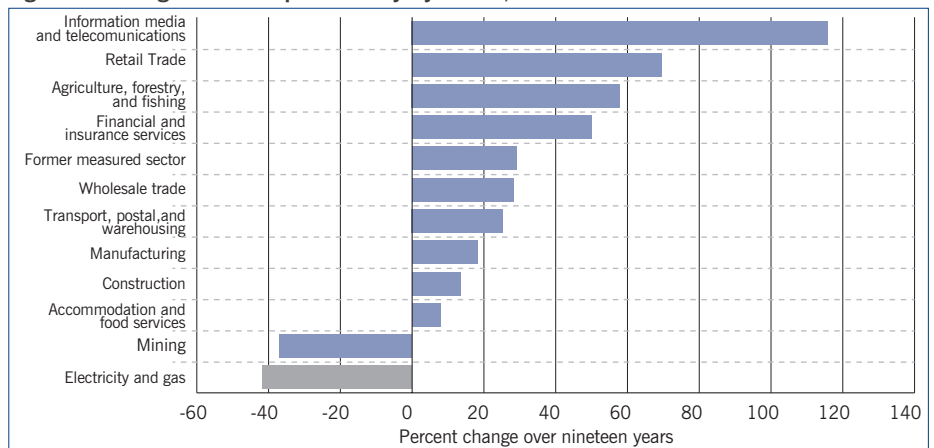
Part 5 of the Commerce Act 1986 empowers the Commerce Commission to grant or withhold authorisation for mergers or restrictive practices that would otherwise be prohibited as anti-competitive. Section 67(3)(a) provides that ‘if it is satisfied that the acquisition will result, or will be likely to result, in such a benefit to the public that it should be permitted [the Commission may] grant an authorisation for the acquisition’. But how is ‘benefit to the public’ to be judged? No definition is provided in the act.

Suppose that merging two firms improves the efficiency of production while conferring increased market power. If the lower costs are passed on to consumers via lower price, consumers gain but not the firm’s owners. This is commonly described as the ‘consumer surplus standard’. If all the gain goes to the shareholders of the merged firm via monopoly pricing, then consumers are left worse off but society as a whole benefits from the increased surplus in production. That is the ‘total surplus standard’.

A consumer surplus standard approves only those mergers that leave consumers better off – a test recognisably related to Rawls’ proposition that the interests of the worst off must be paramount. The total surplus standard allows market power to be exercised and the merging firms’ profits increased, even if no benefits flow to consumers.

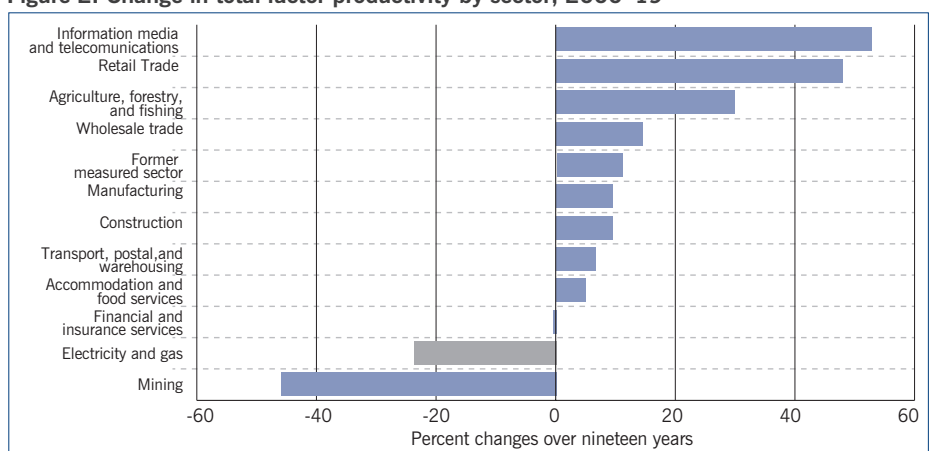
The Chicago School position has always been that efficiencies on their own are sufficient justification for a merger, regardless of what happens to the welfare of consumers – in other words, the pure total surplus standard. It was Bork (1978) who produced the most extreme statement of the so-called ‘efficiencies defence for mergers’.

Figure 1: Change in labour productivity by sector, 2000–19



Source: Stats NZ, 2020

Figure 2: Change in total factor productivity by sector, 2000–19



Source: Stats NZ, 2020

Bork did not use the term ‘consumer welfare’ in the same way that most people use it today. For Bork, ‘consumer welfare’ referred to the sum of the welfare, or surplus, enjoyed by both consumers and producers. Bork referred to consumer welfare as ‘merely another term for the wealth of the nation.’ A large part of the welfare that emerges from Bork’s model accrues to producers rather than consumers. (Hovenkamp, 2019, p.65)

By leaving undefined what was meant by ‘benefit to the public’, the Commerce Act 1986 opened the way for business lobbyists and local Chicago School adherents to capture the regulatory process by adopting Bork’s framing. That capture involved enshrining the total surplus standard in the Commerce Commission’s authorisation procedures (Commerce Commission, 1997; Easton, 1989, Ministry of Commerce, 1991; Pickford, 1993; Bertram, 2004a, 2004b). Thereafter, wealth transfers from New Zealand consumers to monopolist

producers were treated as of no consequence in merger cases.

The argument for allowing mergers on efficiency grounds has always been that in a very small open economy such as New Zealand’s, optimally sized firms will tend to be large relative to the local market, and hence to have greater market power. Achieving that optimal scale ought not, the argument goes, be checked by any requirement to make consumer welfare paramount (Evans, 2004). But if there are genuine efficiency gains, a requirement to share them with consumers can always be mandated as a condition of the merger (Lande, 1982).

More fundamentally, the proposition that deregulating large industry would unleash dynamic gains so great that, after trickling down, they would leave everyone better off has failed.

Bork and the Chicagoans ... expected that relaxing antitrust rules would enable firms to achieve greater efficiencies. ... The Chicagoans lost their bet. Since the

implementation of antitrust deregulation, market power has widened, without accompanying long-term gains in consumer welfare. Instead, economic dynamism and the rate of productivity growth have been declining ... Whatever efficiency gains the Chicago-inspired changes may have achieved have not compensated for the market-power effects of the antitrust deregulation they sought. (Baker, 2019, p.2)

Hovenkamp and Morton bluntly describe the Chicago School attack on antitrust as 'one of the most complete cases of regulatory capture in economic history' (Hovenkamp and Morton, 2020, p.40).

Thinking about a blueprint

In thinking about how to replace the Commerce Act 1986 with something more in line with the principles laid down by Hobbes, Smith and Rawls, it pays to look in two directions. First, one needs to look back at what was thrown away to clear space for the new act. That means revisiting the Commerce Act 1975, with its blunt prohibition of profiteering, its quick-response provisions for inquiring into possible cases of abuse of market power, and its specific penalties. Then one needs to look outwards, at legislation and practices in other countries, and the global literature on competition law.

There are some bottom lines that need to be drawn, going back to the earlier discussion of Hobbes's image of the

covenant and the sword. Protection of the weak against the strong requires both a clear covenant and a sharp sword. New Zealand's 1986 transformation of its competition law offered neither.

First, the interests of New Zealand consumers need to be placed explicitly at the centre of the law as the overriding goal to which other goals are subsidiary. This would follow the recommendations of many legal scholars (see, for example, Baker, 2019; Hovenkamp and Morton, 2020).

Second, the taking of excess profits needs to be declared illegal, reviving the crisp clarity of section 54 of the Commerce Act 1975. 'Excess profit', in turn, needs to be defined as any return that yields more than some limit over a normal profit, except where clear evidence can be presented to justify a greater return. That would put the burden of proof where it belongs – on the profit taker – instead of on the aggrieved party as at present.

Third, forms of anti-competitive conduct that are proscribed need to be specified and some criteria laid down for detecting them. This involves a move away from the Commerce Act 1986's reliance on a generic, loophole-ridden principle in section 36.

Fourth, the sword must be empowered to enforce the covenant more stringently than has been possible for either the courts or the Commerce Commission over the past three decades. Among other things, that means that a repurposed Commerce Commission will need to be ensured a litigation budget that is always at least

equal to that of big business, making the full resources of the state available to underwrite legal action against deep-pocketed monopolists. The ability of the powerful to intimidate the organs of governmental authority simply by using their monopolistic gains to fund drawn-out, wasteful litigation has to end. Cases must be genuinely decided on the merits, not on the relative wealth of the parties.

Fifth, the weak and powerless need a champion. The New Zealand state abdicated that role in the 1980s, and its regulatory agencies have been too often cowed by the big business lobby. Parliament has been mostly missing in action; but in an electoral democracy that is where change should happen. The Commerce Act is only one of a number of 1980s laws that need radical rethinking.

Putting ourselves behind Rawls' veil, the hope is that reasonable people can agree on a policy menu to arrest New Zealand's slide from a 20th-century mixed capitalist economy towards a new feudalism, with entrenched dynastic wealth drawn from market power and a dominant rentier class.

1 From 1994 to 2003 the only regulatory requirement placed on lines companies was information disclosure under a 'light-handed' regime that involved no action whatever by the authorities in response to the revealed conduct. I do not regard this as meaningful regulation. See Bertram, 1999 and Bertram, 2006b, pp.212–13, 226–30.

2 The published data are for the wider sector 'electricity, gas and water'. Stats NZ has, on request, produced the narrower data for 'electricity and gas' used in Figures 1 and 2. Greater disaggregation was not allowed; but the 'gas' component includes only the transmission and reticulation part of the gas sector, excluding gas production and sale. Electricity therefore dominates the results.

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