



# Let's Rethink How the World Works

Embracing Opportunity in a post-Covid-19 World



DISCUSSION PAPER

In partnership with



# IBM Foreword

“Changes in technology are expected to lead to 100 percent of jobs changing in all industries in the future, and the current Covid-19 pandemic is also reshaping work and the way we work.”



Lockdown and Covid-19 have shown us all how rapidly things can change.

Within a few days, New Zealanders had to transform the way we work, study and shop. We moved to doing a lot more things online. One colleague’s 90-year-old mother-in-law learned how to do an online grocery shop during lockdown, and her parents learned how to join video calls with the family for the first time.

Kiwis embraced a new mindset and learned new skills so we could adapt. For me, there are two key things – mindset and skills – that will help us future proof New Zealand.

In this paper we dive further into themes that form the building blocks of how we can rethink, reorder, and redesign New Zealand – from businesses, to education, government policies and regulatory reform. With the threat of further relapses and lockdown restrictions, there has never been a more important time for this discussion.

Changes in technology are expected to lead to 100 percent of jobs changing in all industries in the future, and the current Covid-19 pandemic is also reshaping work and the way we work. There continues to be a huge shortage in capability within the technology sector in New Zealand and with our borders closed, we can no longer rely on bringing skills into the country. Supporting our next generation in learning digital skills as well as providing platforms for upskilling to support job and industry changes is critical. At IBM upskilling New Zealand has been a significant part of our focus and investment for some time, and it will also be critical to our recovery from Covid-19.

During lockdown we also saw investment in digital become the differentiator. In just a few short weeks it became obvious that those organisations, big or small, that had invested in digital technology could quickly

adapt to the changes they were facing. They had the ability to be agile so they could transition smoothly to remote working. They could effectively scale workloads to manage increases in online demand, and when they saw New Zealand move to being almost completely online, they could adapt from in-person customer service with customised, digital experiences.

But for organisations not advanced along the digital transformation path, they were left paralysed without an effective response plan to Covid-19.

Lockdown also led to many people working remotely. I rang a number of CEOs one afternoon during lockdown and while some of them were fine, others were really struggling. For some the technology to work remotely was there, but the mindset on how to lead remotely wasn’t. With more people working from anywhere, leaders need to be able to lead from anywhere. This calls for a real shift in mindset on how we measure success, and the way leaders drive culture and engagement.

In this paper, thought and industry leaders share their views and recommendations on jobs and skills, supporting the productivity of New Zealand business, exploring the future of the workforce and what this all means for people, culture and engagement. I want to thank the Trans-Tasman Business Circle for bringing us together to tackle these subjects and carving a path forward for New Zealand to embrace the opportunity to be leaders in this post-Covid-19 world.

A blue ink signature of Mike Smith, consisting of stylized initials and a surname.

**Mike Smith**

Managing Director, New Zealand  
IBM

# Trans-Tasman Business Circle Foreword

“While many things remain uncertain, Covid-19 is going to change our world forever. Every government, business and individual will feel its impact in ways not yet fully imagined.”



While many parts of the world continue to struggle with the impact of Covid-19, New Zealand’s experience tells a very different story.

This led us at the Trans – Tasman Business Circle to reflect on our experiences. Bringing together a group of New Zealand’s pre-eminent thought-leaders for a virtual roundtable discussion, we asked them, based on their experiences, to rethink how the world works and what we need to do be doing to embrace the opportunities presented in a post-Covid-19 world.

During the discussion it became apparent that while many things remain uncertain, Covid-19 is going to change our world forever. Every government, business and individual will feel its impact in ways not yet fully imagined. We will face many challenges as well as enormous opportunities through the embracing of digital technology.

Lockdown forced businesses to embrace technology to allow their staff to continue to work remotely. Kiwis used technology to talk to family and friends, to shop online and to do many of the everyday activities that they would have traditionally done in person. While lockdown impacted each of us in different ways, technology made our time at home easier and, from the Circle’s perspective, it allowed us to continue to promote thought-leadership and connectivity.

Post-Covid-19, digital technology will continue to reshape how we work, learn and play and this will have a profound impact on our society. But how do we make sure that all New Zealanders benefit from digitisation and that they are not left behind? What do we do about the digital divide, how do we encourage small businesses to adopt the latest technology and what are the longer-term consequences for how we work?

These were the questions the Roundtable asked itself, and their discussion provides invaluable insights around how we should be thinking about our future.

Enormous thanks to IBM’s Mike Smith, for his vision in bringing this discussion to life, as well as to the wider IBM team for their ongoing support in driving this report.

While we don’t pretend to have all the answers, we do hope this discussion helps kickstart a conversation about how we can rebuild stronger and more resilient and improve the life outcomes for all New Zealanders.

A handwritten signature in blue ink, appearing to read 'Sharron Lloyd'.

**Sharron Lloyd**

General Manager New Zealand  
Trans-Tasman Business Circle

# About the Virtual Roundtable

On 15 June 2020, the Trans-Tasman Business Circle and IBM virtually brought together a diverse group of New Zealand's most highly regarded thought leaders to discuss the future of New Zealand and asked them to rethink how the world could work in a post-Covid-19 environment. This document is a summary of their discussion, along with supporting evidence and recommendations for industry and government.

## Roundtable participants



**Nigel Murphy**  
Executive Director,  
External Engagement,  
AUT



**Sam Johnson**  
Chief Executive,  
Student Volunteer Army



**Anna Stove**  
Independent Director



**Frances Valentine**  
Founder,  
Tech Futures Lab



**Andy Hamilton**  
Co-Founder,  
Manaaki



**Traci Houpapa**  
MNZM,  
Professional Director



**Scott Arrol**  
Chief Executive,  
NZ Health IT



**Mike Smith**  
Managing Director,  
New Zealand IBM



**Julie Gill**  
NZ Tech



**Sharron Lloyd**  
Trans-Tasman  
Business Circle

# Executive Summary

## Building a Brand of Trust

*“The current global crisis is acting as an accelerant for massive, instantaneous change – the ways we work, how we communicate with each other and our teams, how we learn and innovate – all of these have been completely transformed in a matter of weeks.” [Beyond the Great Lockdown: Emerging stronger to a different normal, IBM<sup>1</sup>](#).*

Covid-19 provides us with a once-in-a-generation opportunity to rethink how the world works.

Now is the time to rewire our economy, as well as to fundamentally shift how we value and empower people within society. We have an opportunity to reset and rebuild the New Zealand economy so it's more robust than before.

Technology holds one of the keys to this transformation. But unfortunately, the edict ‘if you build it, they will come’, isn't true in this case.

When it comes to technology, democratising access is vital, but it is not enough. People need to have trust in what we're providing, trust it will improve their situation and trust that they can learn the skills to leverage it. This shift in mindset is hard but will deliver immense value to the nation.

This discussion document summarises and builds on the conversation held in mid-June. It articulates the overarching situation New Zealand finds itself in and provides recommendations for both government and industry.

| Addressing the digital divide  | Unleashing SME productivity through digitisation   | Growing a skilled and digitised workforce  |
|--|--|--|
| Commit to solving New Zealand's inequality by developing new funding models to support vulnerable population groups to access the internet and purchase digital devices.   | Support and enable digitised SMEs to work with, and mentor, non-digitised SMEs and help them lead a broader conversation about the benefits of digitisation, the challenges and the opportunities.   | Create a national reskilling strategy that aims to maximise opportunities for individuals to retrain and gain meaningful qualifications while in employment.   |
| Commit to improving connectivity in rural communities and other areas that have poor connectivity. This includes rolling out the Ultra-Fast Broadband network across the country and urgently addressing access issues in urban areas. | Provide access to digital strategic advice to encourage and assist SMEs to strategically review their business strategy and operations through a digital lens.   | Develop a specific Māori Economic Digitisation Plan that leverages the opportunities presented in a post-Covid-19 world to drive the Māori economy, address skill gaps and encourage digital uptake by Māori businesses. |
| Financially incentivising digital upskilling in the same way New Zealanders are incentivised to retrain in trades and other industries.  | Investigate a tax rebate scheme to support SMEs to purchase and implement digital technology solutions.  | Incentivise the upskilling of people in rural New Zealand for new opportunities that could be available with remote working.   |
| Target programmes to those population groups most likely to have poor connectivity, including lower socio-economic groups, rural communities and Māori, Pasifika and refugees.   | Encourage Government and industry commit to materially co-funding a programme of work designed to enable the digital upskilling of SME business owners and decision-makers to help them understand the benefits of digitisation and encourage investment into technological solutions aimed at improving productivity. | Consider implementing targets for Government agencies and large corporates to employ a percentage of staff in regional New Zealand.  |
| Encourage Government and business to work together to champion and encourage investment in training, upskilling and trust-building programmes and initiatives designed to improve the digital uptake.                                  |  | Encourage business to adopt future-focussed company cultures that support remote and distributed work.   |



## Addressing the Digital Divide and Building Trust

*During lockdown we shifted almost 35,000 New Zealanders working in essential organisations into remote work, taking projects that would usually take at least six months and delivering them in two weeks. I think in New Zealand some companies have been amazed at what they've achieved, while others have probably been left behind"*

- Mike Smith, Managing Director, IBM New Zealand.

New Zealand entered level four lockdown at 11.59pm on Wednesday 29 March. Overnight, all but the most essential businesses shut their doors, schools closed, and New Zealanders were asked to stay home. If this had occurred twenty years ago, the economy would have completely stalled. Instead, digital technology allowed large parts of the economy to continue under the most trying of circumstances.

In light of this, Roundtable participants were asked to consider how Covid-19 had impacted the digital divide. Had the digital shift that accompanied the Covid-19 lockdown addressed access issues and, if so, do Kiwis have the skills required to fully participate in a more digitised economy?

### The Digital Divide

*"NZ needs to get better connectivity if we want better connections with the world"*

New Zealand already is one of the [world's most digitally advanced nations](#)<sup>2</sup>. We are a member of the Digital 9, we have a world-class fibre network and we enjoy widespread 4G coverage. Research by Internet New Zealand suggests [93 percent of New Zealanders have access to the internet](#)<sup>3</sup>.

Despite this, the Roundtable believes New Zealand continues to suffer from a digital divide, with socio-economic, regional, ethnic, structural and generational variations impacting on access to digital technology.

This view is supported by government-funded research, with [Motu Economic and Public Policy](#)<sup>4</sup> identifying a number of groups likely to have comparatively lower access to the internet and digital devices. Groups identified include:

- Māori
- Pasifika
- People living in social housing
- People with disabilities
- People living in larger country towns
- Older members of society
- Unemployed people and those not actively seeking work.

The Roundtable acknowledged that Covid-19, and the associated lockdown, had seen significant investment by both the Government and the private sector to improve connectivity for those without access to the internet or without the necessary digital tools. This investment included [\\$87m to support home learning](#)<sup>5</sup>



and [\\$20m to provide digital devices for tertiary students<sup>6</sup>](#). This funding has temporarily helped put digital devices into the homes of New Zealanders who otherwise had no access.

The Roundtable noted that Covid-19 shows we can put devices into people's hands when we need to, and therefore connect vulnerable people to the internet. This demonstrates that through targeted investment it is possible to address access issues. But access alone does not solve the digital divide.

### Access vs Desire

The Roundtable noted that there is an important difference between giving people access to digital technology and people actually wanting to use that technology. This is particularly the case for older generations.

A central question raised was how does the country encourage and motivate New Zealanders to learn the skills needed as well as build their trust in technology in order to realise the immense benefits digitisation can provide?

The Roundtable's discussion is supported by the Government's [Digital Inclusion Blueprint<sup>7</sup>](#), which identifies four independent elements that are all needed for a person to be digitally included:

- **Motivation:** Understanding how the internet and digital technology can help you connect, learn or access opportunities.
- **Access:** Having the access to digital devices, services, software, and content to meet your needs at an affordable cost.
- **Skills:** Having the know-how to use the internet and digital technology in ways that are appropriate and beneficial.
- **Trust:** Trusting in the internet and online services; and having the digital literacy to manage personal information and understand and avoid scams, harmful communication and misleading information.

While New Zealand specific data around motivation is not available, a [2018 Lloyds Bank study from the United Kingdom<sup>8</sup>](#) shows 28 percent of people over 60 do not use the internet, and 84 percent say 'nothing' can help them get online. The Roundtable noted that age was also likely to be a digital barrier in New Zealand and while younger people were digital natives, older generations were often uncomfortable being online and were more likely to have trust issues or concerns about falling victim to fraudulent activities.

The Roundtable agreed that building trust in digital technology is critical to help all New Zealanders benefit from the advantages of digital technology. The Roundtable discussed the [BNZ's Aged Customer Care Helpline<sup>9</sup>](#) as an example of the work businesses can do to helping build trust in digital technology. The Aged Care Customer Helpline was established when New Zealand entered lockdown and provides dedicated phone support to assist customers over 70 to make use of online banking.

The Roundtable agreed the time invested by BNZ in helping older customers transition not only helped customers manage their banking more easily during lockdown, but will also lead to longer term productivity gains by allowing BNZ to shift increasing numbers of customers permanently online to do their banking more efficiently.

### Skills Gap

An important point raised during the Roundtable conversation was that while access to technology was important, technology is only ever a tool. If New Zealand is to realise the full potential of digitisation and create a new digital workforce, Kiwis need to have the right skills to use digital technology to its full potential.

The Government's [Digital Inclusion Blueprint, launched in 2019<sup>10</sup>](#), launched in 2019 reports close to five percent of New Zealanders have no prior experience with computers or they lack basic computer skills, and 13 percent do not use a computer in their everyday life. About 45 percent of respondents have only very basic internet skills.

Roundtable participants agreed that we need to rethink how we retrain and reskill our workforce to adapt to a more digitised economy and that it was important for the education sector, Government and employers to work hand-in-hand to address the skills gap.

To support New Zealanders who have lost their jobs as a result of Covid-19, the Government

announced investment of \$1.6 billion into a trades and apprenticeships training package in Budget 2020. This funding allows New Zealanders to receive free trades training, focussing on the industry skills needed in building and construction, agriculture and manufacturing. The package did not include a focus on digital skills, which are equally needed in a modern economy.

While it is acknowledged trades and vocational training are critical to help New Zealanders find work in infrastructure and construction projects, digital skills are equally important in supporting New Zealand's economic recovery. Every part of New Zealand's economy is going through a digitisation journey and this will have an impact on almost every job.

As our economy continues to grow and develop, technology will inevitably change the way we work. Historical evidence suggests that while technology is a disrupter, it creates significantly more new jobs than it replaces. The caveat, however, is the workforce needs to have the digital skills to take advantage of these new opportunities.

Without placing sufficient weighting on providing New Zealanders with the digital skills, the country risks excluding some people from the employment market. The New Zealand Productivity Commission's report [Technological change and the future of work<sup>11</sup>](#), published in March 2020, supports this view and advocates making training more flexible and more accessible.

For this reason, the Roundtable advocates that Government prioritises digital upskilling as a critical element to New Zealand's recovery from Covid-19 in the same way that it is doing with trades and vocational retraining. This could include funding providers to provide free digital upskilling, increasing emphasis of digital skills in secondary schools, and increased targeting of digital training to people on the margins of the employment market.





# Recommendations

## Addressing the Barriers

### Recommendation One

#### Commit to solving New Zealand's access inequality

Events during the lockdown have shown that when there is a will, funding and resources can be made available to provide digital access to those who do not have it. For that reason, the Roundtable recommends Government works to develop new funding models to support vulnerable population groups to access the internet and purchase digital devices.

### Recommendation Two

#### Commit to improving connectivity to rural communities and other areas with poor connectivity

While New Zealand has high rates of connectivity, and digital devices are widely available, there are pockets of the country where access remains limited. This will likely hinder growth prospects in these areas. For that reason, the Roundtable recommends the Government commits to delivering better connectivity, particularly in non-urban areas. This includes rolling out the Ultra-Fast Broadband network across the entire country and urgently addressing any remaining access issues in urban areas.

### Recommendation Three

#### Build the trust and the skills to drive digital enablement

Research, and New Zealand's experience during lockdown, shows that providing individuals digital tools is not enough to overcome the digital divide. A critical element is addressing the human barriers. For this reason, the Roundtable recommends:

- Government works to financially incentivise digital upskilling; in the same way it incentivises New Zealanders to retrain in the trades and other industries.
- Target programmes to those population groups most likely to have poor digital connectivity, including lower socio-economic groups, rural communities and Māori, Pasifika and refugees.
- Government, industry and business associations actively work together to champion and encourage investment in training, upskilling and trust-building programmes and initiatives designed to improve the digital uptake. The work of NZ Tech in connecting, promoting and advancing digital skills is particularly acknowledged as an excellent example of what can be achieved when different organisations work together. The Roundtable believes these types of initiatives are critical to creating a prosperous digital nation and helping encourage New Zealanders who are not online to get online.



## Unlocking SME productivity

*“Small businesses in New Zealand aren’t as productive as they could be fundamentally because they are small, and they have a small market to engage with.”*

New Zealand is a country of small business. They make up 97 percent of all businesses, account for 29 percent of employment and contribute more than a quarter of New Zealand’s GDP.

Small and medium enterprises (SMEs) are important for building a strong, diversified and resilient economy. Improving SME productivity means these businesses become more profitable. They can grow, employ more staff, attract new talent and pay higher wages. This flows through to the wider economy through increased spending and improved tax revenue, allowing Government to support a wider range of social services.

This is supported by independent economic modelling undertaken by [NZIER found<sup>12</sup>](#) on behalf of Xero prior to Covid-19, which found that a 20 percent uptake of cloud-based technology would add up to \$6.2 billion in annual GDP growth to the New Zealand economy.

Technology is critical to helping our SMEs grow. As part of the discussion, the Roundtable analysed the long-term impact of Covid-19 on New Zealand’s SMEs and looked at how both the private sector and Government can help business digitise.

### Impact of Covid-19 on New Zealand’s SMEs

Covid-19 resulted in an immense economic shock, with spending habits changing completely. Data from [Xero shows that year-on-year revenue for small business fell](#)

[by 34 percent in April<sup>13</sup>](#). But revenue began to recover in May and was down only [22 percent year-on-year<sup>14</sup>](#). Data on the impact of heightened alert restrictions during August has yet to be released.

The impact of the economic shock of Covid-19 has partly been offset by Government actions to quickly inject funding into the economy. [This included the Wage Subsidy, the Small Business Cashflow Loan Scheme, the Business Finance Guarantee Scheme and Tax and ACC support<sup>15</sup>](#).

The Roundtable agreed that thriving small and medium businesses are critical to New Zealand’s economic recovery. It was agreed that digitisation supports productivity and, with many companies now going through a reformation process, the country was presented with a unique opportunity to accelerate this digitisation process.

### How digitisation can improve productivity

*“We don’t have a culture of professional development. Small businesses simply don’t have the time and the gap keeps getting bigger.”*

The Roundtable agreed that digitisation was critical to improving SME productivity in New Zealand. Digital technology can help SMEs improve connectivity, work smarter, access tools that they might not otherwise have, improve accuracy, connect with their customers, help their staff to be more mobile and allow more time for management and staff to focus on what is important: strategy and innovation.

The Roundtable commented that many SMEs don't really appreciate the efficiencies digitisation can drive. To many, digitisation is about websites and e-commerce, but the opportunity is far greater. This lack of appreciation translates into SMEs not prioritising time or money to invest in the digital tools that could change their business.

At a time when [IBM's research<sup>16</sup>](#) shows 97 percent of US executives say their organisation will deploy more AI tools in the next two years than they had prior to Covid-19, the gap will only grow bigger if we don't help empower SMEs to move beyond websites and e-commerce.

### **New Zealand's productivity problem**

New Zealand has a long-running productivity problem, and this was discussed by Roundtable participants.

In their discussion, participants cited David Skilling's report [Frontier Firms: An international small advanced economy perspective<sup>17</sup>](#), which was prepared for the Productivity Commission.

In his report, Skilling notes New Zealand's persistently weak productivity performance. His report states that New Zealand's per capita income is relatively low, but it would be even lower if it weren't for a strong performance in the hours worked per capita. Relative to Australia, New Zealand's level of labour productivity is about one third lower and relative to small advanced economies, there is also a large productivity gap.

In fact, Skilling makes the point that much of New Zealand's GDP growth during the past 30 years has come mainly from a growth in hours worked, with low growth in labour productivity. The Roundtable also noted Skilling's report showed there had been no meaningful change in exports as a percentage of GDP during the past 25 years.

The Roundtable cited several reasons for New Zealand's productivity problems, including regulation, lack of ambition, small markets, geographic dispersal, isolation and cashflow. It was agreed the top reason was a lack of capital investment.

### **Addressing the Productivity Barriers**

To realise the productivity gains needed to help New Zealand achieve its economic potential, the Roundtable agreed that we need to remove the barriers to adopting digital solutions.

It was noted many small businesses understand the advances of digital technology and want to digitise, but they need help. Most small business owners are under immense pressure and are working hard to ensure their business survives the economic downturn.

Guidance, a common language around digitisation, enabling regulations, access to affordable technological

expertise and encouraging trust in technology were all areas the Roundtable believed Government assistance would be beneficial.

The Roundtable also noted that a lack of centralised advocacy by SMEs was hindering the sector from lobbying for the changes required to assist SMEs to help make the transition to the digital technology that would have a material impact on their productivity. It was noted that the lack of common voice and disjointed advocacy meant the collective concerns of small business were often not being heard by the Government.

The Roundtable also agreed that whatever steps were taken, investment from both Government and private enterprise would be necessary to realise the gains required to materially improve New Zealand's productivity.

### **Learning from others: Looking to Singapore**

The Roundtable talked about the support provided by the Singaporean Government to support the digitisation of SMEs in that country.

The Singapore Government's nationwide digitisation programme is underpinned by [Singapore's Digital Economy Framework for Action<sup>18</sup>](#). The Framework provides an overall umbrella strategy for the digital transformation of infrastructure, education, business and Government.

Through this framework, the Government of Singapore is directly investing in the digital transformation of SMEs by providing services and grants. From the Framework, the Government launched [SMEs Go Digital<sup>19</sup>](#) in 2017. This programme aims to make going digital simple for SMEs.

As part of this programme, SMEs in Singapore are eligible to:

- access a list of pre-approved solutions assessed to be market-proven, cost-effective and supported by reliable vendors. Grants will offset up to 70 percent of the costs of adopting these solutions.
- receive help to get started with foundational digital solutions through digital start packs.
- access business-to-business and business-to-consumer e-commerce platforms to sell overseas without a need for a physical presence.
- access cost-free digital consultancy services at the SME Digital Tech Hub, where they can receive expert advice in specialised areas.
- access to a pool of skilled digital project managers, at subsidised fees, to help implement their digital solutions.



## Recommendations

### Effective SME Digitisation

#### Recommendation Four

Develop a programme of work designed to help build SME trust and confidence in digital solutions

The Roundtable agreed that empowering SMEs was critical to rebuilding New Zealand's economy. The Roundtable identified that many SMEs lack ambition and often did not have the trust and confidence in themselves or others to embrace digital solutions that could improve productivity. The Roundtable agreed that encouragement, guidance and the fostering of trust is required. For this reason, the Roundtable recommends Government and industry collaborate to develop a programme that will:

- Support and enable digitised SMEs to work with, and mentor, non-digitised SMEs and support them to help lead a broader conversation about the benefits of digitisation, the challenges and the opportunities.
- Provide access to digital strategic advice to encourage and assist SMEs to strategically review their business strategy and operations through a digital lens. The [extension of the Regional Business Partners \(RBP\) Network<sup>20</sup>](#), which includes Digital Enablement Strategy consultancy, goes some way to delivering on this. The Roundtable acknowledges this work but advocates a longer-term strategy beyond a Covid-19-response.

#### Recommendation Five

Government investigates options that help address the financial barriers preventing SMEs from digitising

The Roundtable identified a lack of financial capital as the greatest barrier to preventing SMEs from digitising. This is not unique to New Zealand, and there are international examples of government supported programmes that help provide SMEs with the necessary capital and expertise to digitise. The Roundtable identified Singapore's [SMEs Go Digital<sup>21</sup>](#) as a successful example of such a programme. For this reason, the roundtable recommends:

- The Government investigates a tax rebate scheme to support SMEs to purchase and implement digital technology solutions. In its investigation, the Roundtable recommends the Government look closely at the Singaporean model as a blueprint to drive uptake.
- The Government and industry commit to materially co-funding a programme of work designed to enable the digital upskilling of SME business owners and decision-makers to help them understand the benefits of digitisation and to encourage business investment into technological solutions aimed at improving productivity.



## Future of the Workforce

*“We were effective from a health perspective, but it was hard on our people and our businesses. We had to change everything about how we worked, how we interacted with people and how we carried on.”*

Covid-19 has forever changed the way we work. By necessity, workplaces implemented remote working solutions, and at the height of New Zealand’s lockdown, one-third of staff were working from home.

This has led to a fundamental shift in how employers and employees think about the future of work and the structure of the workforce. As was noted during the Roundtable discussion, flexibility has gone from being a policy to a strategy to achieve greater productivity.

At the same time, we have seen immense disruption in New Zealand’s labour market. [Ministry of Social Development<sup>22</sup>](#) data shows the number of New Zealanders on the jobseeker allowance increased by nearly 40 percent in July 2020 when compared to July 2019. Another 22,000 New Zealanders were out of work and supported by the Covid-19 Income Relief Payment while 1.7 million jobs were being supported to the Government’s wage subsidy.

The disruption to the job market is being further compounded by the large numbers of New Zealanders returning to the country to escape Covid-19 hotspots, as well as border restrictions preventing migrants and work visa holders entering the country.

As New Zealand returns to a new state of normal, the Roundtable asked what this might mean for the future of the New Zealand workforce.

### **New approach to people, culture and engagement needed**

The Roundtable discussed the long-term impact of Covid-19 on New Zealand society. It was agreed that the first half of 2020 had resulted in enormous change and upheaval for both business and individuals. Many people were suffering fatigue and are now looking for stability in an unstable world.

Participants agreed that it was critical people remain at the centre of decision-making. The profound impact of Covid-19 on our country should not be underestimated, with some research suggesting [10 percent of Kiwis are likely to develop depression<sup>23</sup>](#) as a result of the pandemic.

It was also agreed a new approach is required. It was suggested we needed to stop thinking like economists and start thinking like strategists. Business leaders needed to move away from the old economic paradigm of cutting costs and focussing only on profits, and instead focus on the more noble causes of being in business, such as contributing to society, employing staff and assisting communities.

The Roundtable agreed that there was an increasing trend, particularly with millennials, of wanting to work for companies that have a reason or a soul. The Roundtable noted there was a growing social conscience developing and that increasing numbers are expressing a desire to move from a currency economy to a social economy. That means a focus away from money and commodities and towards people, sustainability and wellbeing.

The Roundtable agreed that better use of behavioural science was needed in both economic and business planning, as well as in forecasting. Political and business leaders needed to understand the enormous disruption Covid-19 was likely to have on many New Zealanders, particularly 18-34-year olds who are likely to be the most impacted by the disruption in the labour market.

### **Overarching reskilling strategy required**

The Roundtable believed rethinking how New Zealand approached reskilling and retraining was critical. Many people who have lost their jobs are now looking to find new career options, but they do not have years to put towards study. A new and more flexible approach is required. Both employers and the education sector need to work hand-in-hand to quickly deliver New Zealanders the skills they need to find work in a post-Covid-19 world.

In responding to previous economic downturns, governments have tended to turn to infrastructure projects to stimulate demand in the economy and this is the case again. As part of Budget 2020, the Government [announced](#)<sup>24</sup> \$3 billion to fund infrastructure projects across the country through its Covid-19 Response and Recovery Fund. This is on top of a previously announced \$12 billion infrastructure programme. To support this infrastructure development, Budget 2020 also saw [funding for free trades training](#)<sup>25</sup> to provide a workforce for these projects.

While free trades training will assist many to reskill and retrain to find employment in the trades, the scale of this work is likely to be temporary as infrastructure projects are completed. Consideration needs to be given to how we support some of the longer-term skill gaps that exist in the workforce, and are likely to grow further, as the economy digitises. Therefore, it is important the Government looks at how it can assist New Zealanders to gain the necessary digital skills to find sustainable and long-term work in a post-Covid-19 world. For this reason, it is important digital reskilling is viewed as being as important, if not more important, than trades training in supporting New Zealand's economic recovery.

Participants agreed that it was important that New Zealand did not rush this process. Instead time needed

to be taken to develop an overarching strategy. It was noted that the Government often responded to issues with policies and tactics, rather than articulating a vision and outlining how it could create a thriving society. The Roundtable believed now was the time to change this approach and look at how the country can reshape our communities to improve societal sustainability.

### **Remote working risks culture**

While the implementation of new technology to support remote working solutions was delivering enormous benefits, the Roundtable agreed that it was also resulting in new challenges that businesses were now grappling with.

The Roundtable believed that remote working risks negatively impacting team culture. There is a risk of losing positive socialisation and informal "water cooler" conversations as well as increased challenges around facilitating effective team collaboration. Participants' experience during lockdown had shown that every interaction tended to be planned, while spontaneity and soft communication had been lost.

While lockdown left businesses with no choice but to implement remote working, the ending of Covid-19 restrictions will mean managers will need to look at hybrid models. The Roundtable advocated a balanced approach. There is no single answer - individual solutions will be required and this would vary by company, team and individual.

This correlates with [IBM's research](#)<sup>26</sup> into people's perceived preparedness to operate in a post-Covid-19 world. The research in the US showed that while three-quarters of executives report they are successfully helping their employees learn the skills they need to operate in the new way, only a third of employees actually agreed this was the case.

### **The opportunity to grow our regional economy**

The Roundtable spoke about the potential of digitisation to enhance the opportunities in regional New Zealand. They believed the embrace of technology by many businesses during the Covid-19 lockdown provided a unique opportunity to inject new life into the provinces.

Digitisation provides the opportunity to create more jobs in our regional economies. The necessity of implementing remote working solutions during lockdown had shown many organisations that employees no longer needed to be physically in the office in order to perform their role. New technology allowed many workers to do their jobs from anywhere in the country.

The embrace of remote working solutions not only allows businesses to attract talent from anywhere, but

also allows employees to relocate to areas outside of the main centres to access cheaper housing, reducing the strain on infrastructure and travel networks.

The Roundtable suggested that targets for government agencies and large corporates to employ a percentage of their staff in the regions could be beneficial in supporting regional economic development.

The Roundtable also discussed the global opportunities presented from a digitising world. Digitisation meant that employees no longer needed to be based in the country where they are employed. Instead, digitisation can allow for New Zealanders to work for a company based anywhere in the world from their home, and different time zones allows work to continue in New Zealand while Europe and the United States are asleep.

### **Specific Māori economic digitisation plan required**

It was noted by the Roundtable that Māori were more likely to be disproportionately impacted by the economic downturn resulting from Covid-19.

[Government statistics<sup>27</sup>](#) show that Māori already tend to be more disadvantaged across a range of socio-economic indicators. They have lower rates of school completion and higher rates of unemployment. Māori are also more likely to live in households without any telecommunications and are more likely to live in rented accommodation.

Like other sectors, there are advantages in working to digitise iwi business and organisations, many of which are in the regions and involved in primary industries. Like all other sectors, digitisation would lead to increased productivity and help drive further growth in the Māori economy.

To support technology, innovation and digitisation of

Māori businesses, the government-funded Callaghan Innovation Fund launched [Te Whare a Māui - The Māori Innovation Hub<sup>28</sup>](#), which aims to make the Fund's services more available to Māori. The Hub provides iwi with access to experts, assistance in technology and product development, innovation skills and R&D funding.

### **Interpersonal skills still vital**

The Roundtable noted that while digitising the economy provided immense benefits, there was a risk of digital overuse by some individuals. It was agreed that some people were becoming addicted to digital devices and this was impacting their interpersonal skills, including conversation skills and empathy.

[A report on harmful internet use, released in 2019 by the European Parliamentary Research Service<sup>29</sup>](#), found that existing scientific research suggests internet use can be addictive and that internet usage patterns are associated with a risk of addiction problems. In particular, general internet usage addiction may be associated with difficulties in preserving healthy relationships, functional impairment as well as anxiety, depression and obsessive-compulsive disorders.

This is reinforced by a 2017 [study<sup>30</sup>](#) on the impact of internet addiction on young Vietnamese, which found individuals with internet addiction were more likely to suffer problems with self-care, difficulty in performing daily routines, suffer from pain and discomfort, anxiety and depression.

For these reasons, the Roundtable agreed that policymakers must be aware of the issues associated with digital addiction and that there must be a growing emphasis on ensuring the education sector and workplaces provide New Zealanders with the necessary soft life skills they require to integrate well into society.



# Recommendations

## Future-proofing our workforce

### Recommendation Six

#### Create a national reskilling strategy

Whilst the future of work is not a new topic, due to the pace of change and disruption resulting from Covid-19, the Roundtable recommends the Government, in collaboration with industry, create a new national workforce strategy that:

- Maximises opportunities for individuals to retrain and gain meaningful qualifications while in employment.
- Includes a specific Māori Economic Digitisation Plan that leverages the opportunities presented in a post-Covid-19 world to drive the Māori economy, addresses skills gaps and encourages digital uptake by Māori business to improve productivity through digitisation.
- Incentivises the upskilling of people in New Zealand for new regional opportunities that could become available as the country is unshackled from the need for people to work in the office.
- Considers implementing targets for government agencies and large corporates to employ a percentage of their staff in the regions.

### Recommendation Seven

#### Build future-focused company cultures

The Roundtable recommends businesses consider how to maximise the benefits provided through more flexible and remote workforces. IBM outlines in its [Covid-19 Action Guide<sup>31</sup>](#) a number of actions for employers to take to empower remote workforces, which aligns with the Roundtable's thinking. These actions include:

- Having an innovation mindset that takes the opportunity to step back and assess where work could be reimaged, refined, or rededicated
- Creating strategy and company policies that support remote and distributed work, with specific guidance and rules in place
- A clear vision of how culture and management systems are expressed and balanced in a remote setting
- A culture that applies the underlying principles of agility across all aspects of the business, enabled by strong digital communication methods, tools, and ways of working
- An accelerated online, personalised skills and development strategy for employees to adapt to new needs and reshaped business.



## For more information

To learn more about this paper, or to explore how your organisation can implement some of these recommendations, please contact Steve O'Donnell at [steven.odonnell@ibm.com](mailto:steven.odonnell@ibm.com). To contact one of the Roundtable participants, please reach out to Sharron Lloyd at [sharron.lloyd@buscircle.com](mailto:sharron.lloyd@buscircle.com).

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