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Taking the Panic out of (Pan)dem(ic) Recovery

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At a time when other parts of the world appear to have lost control of COVID-19, New Zealand has stood apart. Both the PM and the Director-General of Health, Ashley Bloomfield, have appeared calm and measured in their response. The message has been consistent and clear: 'There is no need to panic. We've got this.'

While there is still a long way to go until New Zealand can safely emerge from lockdown, the focus is already turning to economic recovery which, as Nick Sceats of Catapult rightly points out, should really be called 'regeneration'. This phase will need the same steady hand at the tiller.

Unfortunately, the early signs are not good. The initial Government response has been a rushed request for central and local government agencies to submit details of 'shovel ready' infrastructure projects. The result has been a flurry of panicked activity, as organisations have scrambled to pull applications together so they don't miss out.

The reality is that there are likely to be very few projects that are truly 'shovel ready' and waiting in the wings with completed business cases. The likely outcome will be a logjam of applications of highly variable quality and preparedness.

In the meantime, those who have applications underway for the Provincial Growth Fund have been unsure about whether to continue down that route or apply in parallel for infrastructure funding to ensure they have all their bases covered.

This is only too familiar. Remember the early days of the Provincial Growth Fund, when there was also a mad 'dash for cash'? It is only recently that the Provincial Development Unit has got things under control and has been able to take a more measured and strategic approach.

I can't blame Ministers for wanting to be seen to take action, and there is no denying that government spending through infrastructure will be a critical component of economic recovery. But infrastructure is only one component and needs to be considered in a wider context. When Boris Johnson announced (pre-COVID 19) that he intended to invest in infrastructure in the North of England to stimulate struggling regions, I joked that it would just make it easier for people to leave them and travel South….

Investment in infrastructure will mainly support the construction sector – and we need to remember that the Government has already recently announced a significant infrastructure investment package. Other industries that are likely to be hard hit by COVID-19 are tourism, retail and hospitality. Manufacturing businesses that are just hanging on in the face of international price competition may well also throw in the towel.

It is unlikely that we will return to exactly how we were. Some people will unfortunately emerge from COVID-19 without employment and with skills that are no longer in demand. Infrastructure spending on its own will do little to address this.

There is a desperate need to look at the national and regional economies as a whole before deciding what the right recovery/regeneration plan is. What were the sectors that were growing before COVID-19? What is the prognosis for them now? What sectors are going to see continued employment growth? Which sectors will suffer job losses and in what numbers? How can we re-skill people to be able to transfer to the growth areas of the economy? How will COVID-19 impact on how and where we choose to live and work? Importantly, how can we approach this all in a way that is measured, not panicked?

The Reform of Vocational Education (https://www.tec.govt.nz/rove/reform-of-vocational-education/) could not be more timely, and provides the ideal vehicle to address the impact of COVID-19 on the workforce. Regional Skills Leadership Groups need to be urgently deployed to identify regional workforce needs and feed these through to the relevant ITOs (shortly to be replaced by Workforce Development Councils), so they can ensure the tertiary education system responds accordingly. The New Zealand Institute of Skills and Technology needs to be seen to be responsive and taking a lead. It could not have a better launch pad.

Most regions already have comprehensive economic development strategy and action plans in place. These need to be urgently reviewed and reworked. McKinsey rightly point to the need to start this process with re-imagining the future (https://www.mckinsey.com/featured-insights/coronavirus-leading-through-the-crisis.) Things will not be the same as they were envisaged to be when the plans were initially drafted.

The revised regional visions that emerge need to drive the recovery plans – tying together infrastructure, sector and workforce development into a coherent and cohesive plan. There is no point investing in individual parts if you don't know how they fit into the overall economic engine.

Recovery will require effort and investment at both a national and regional level. There has never been a more important time for central and local government to work together. The regional plans should all form part of a national economic strategy, in which each region has its distinct identity and role. Central government investments should support regional strategies and also create the necessary infrastructure linkages between regions. Government should also drive initiatives that address common regional requirements, such as skill development and re-training through vocational education.

To be successful, New Zealand will need strong economic leadership at a national level. In one of his many recent interviews, economist Shamubeel Eaqub referred to the need for an Ashley Bloomfield for the economic recovery, with the clear inference that no one was yet filling that space. I think most of us would agree. Only when we have evidence of clear and strong economic leadership can New Zealand truly say: 'We've got this'.