

Workshop Paper 2014

LongTermNZ

Exploring our long-term fiscal position

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About the Institute The McGuinness Institute is an independently funded non-partisan think tank. The main work programme of the Institute is *Project 2058*. The strategic aim of this project is to promote integrated long-term thinking, leadership and capacity-building so that New Zealand can effectively seek and create opportunities and explore and manage risks over the next 50 years. It is hoped that *Project 2058* will help develop dialogue among government ministers, policy analysts and members of the public about alternative strategies for the future of New Zealand.

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Part 1 | Methodology

Introduction

The *LongTermNZ* workshop brought together 27 young people in December 2012 to attend the two-day *Affording Our Future* conference, hosted by the Treasury and Victoria University of Wellington. The participants then spent three days discussing and consolidating their thoughts on what they had learned at the conference, and drafting a *2012 Youth Statement on New Zealand's Long-term Fiscal Position*.

The workshop had four key purposes:

1. To educate and engage 27 young people on the fiscal challenges facing New Zealand.
2. To produce a document that would provide a youth perspective and could be used as a tool to start a conversation with the group's peers.
3. To encourage broader debate and increase the quality of informed discussion around the Treasury's *Statement on New Zealand's Long-term Fiscal Position*, ideally creating some additional momentum around the launch of its 2013 Statement released in July 2013.
4. To show young people that opportunities exist for them to contribute to the shaping of New Zealand's future by introducing them to successful New Zealanders from a range of backgrounds, who would challenge and inspire them.

The Treasury's statements on New Zealand's long-term fiscal position are required to look at least forty years into the future. In 2052, the 27 *LongTermNZ* participants will be approaching retirement. Therefore, their opinions are important; it is their future that is being discussed. Thus it was appropriate that this representative group of young New Zealanders had the opportunity to attend the *Affording Our Future* conference. The workshop could not have happened without the support we received from the Treasury and Victoria University. Both the Institute and the participants are very appreciative of the far-sightedness of Victoria University and the Treasury in enabling them to do so. In return, we hope that the *2012 Youth Statement* was a useful resource for the Treasury as they worked on the 2013 statement.

The origin of *LongTermNZ*

The McGuinness Institute is primarily a research organisation. However, since 2011 our work programme has expanded to include more direct public engagement in the form of a series of workshops. These form part of the Institute's flagship project, *Project 2058*, which seeks to promote integrated long-term thinking, leadership and capacity-building, so that New Zealand can effectively explore and manage potential risks and opportunities over the next 50 years.

In March 2011 we held our first workshop, *StrategyNZ: Mapping our Future*, where 100 participants developed strategy maps for New Zealand's long-term future (these maps were published in the Institute's Report 13, *StrategyNZ: Mapping our Future Strategy Maps*; see www.strategynz.org). From this workshop two major themes emerged: the importance of attracting and retaining talent in New Zealand, and the desire to move toward a more entrepreneurial, high-income society. There was also a lot of discussion

about the need for New Zealand youth to have a stronger voice and to exercise greater influence over our country's future.

Our second workshop, *EmpowerNZ: Drafting a Constitution for the 21st Century*, was held in August 2012 in response to both *StrategyNZ* and the constitutional review. The *EmpowerNZ* workshop sought to engage youth in this process, asking a diverse group of 50 young people to draft a constitution 'fit for the 21st century' in two days. Their *Draft Constitution* can be viewed at www.empowernz.org.

The lessons learnt from our experiences with both *StrategyNZ* and *EmpowerNZ* directly fed into the *LongTermNZ* workshop. *LongTermNZ* should therefore be seen as part of this evolving experiment.

A fiscal focus

Wendy McGuinness' own professional background is in risk-management accountancy. In 1988 she wrote the report *Implementation of Accrual Accounting in Government Departments*, and was part of the team that worked on the development of the Public Finance Act 1989. Consequently, Wendy has a deep understanding of how fiscal policy feeds into all areas of public policy and how it can be a highly effective tool for implementing change.

In 2004, an amendment to the Public Finance Act 1989 introduced a requirement for the Treasury to produce a statement on New Zealand's long-term fiscal position at least every four years. These statements contain projections of the government's spending and revenue over the next forty years at least. They also identify challenges for future governments, such as the impact of population ageing. The first of these statements, *New Zealand's Long-term Fiscal Position*, was released in June 2006, and the following statement, *Challenges and Choices: New Zealand's Long-term Fiscal Statement*, was published in October 2009. The Treasury's most recent statement, *Affording Our Future*, was published in July 2013.

The Institute strongly believes that good policy development must have a long-term focus. These statements are important; they are one of the few mechanisms that involve the public sector in considered future planning and debate on the long-term impacts of current policy decisions. We hoped that by designing a workshop that asked youth to tackle broad fiscal challenges we could assist the Treasury in encouraging wider public debate and discussion around its 2013 statement.

The Treasury and Victoria University of Wellington

In preparation for the 2013 statement the Treasury, in collaboration with the Chair in Public Finance at Victoria University, planned a conference for December 2012 called *Affording Our Future*.¹ The conference brought together specialists and commentators whose expertise would feed into work toward the 2013 statement.

This presented the Institute with an opportunity. In discussion with the Treasury and Victoria University, we proposed that the McGuinness Institute run a workshop based around the conference, where a group of young people would produce a parallel statement, offering a youth perspective on the issues discussed. The *2012 Youth Statement* would provide Treasury with an interesting insight into what youth considered to be the most critical issues in relation to New Zealand's fiscal position, and would serve as a tool for

¹ Victoria University's Chair in Public Finance was established in 2011, with sponsorship from the university, Inland Revenue, the Ministry for Social Development, the Treasury and PriceWaterhouseCoopers. The current chair is Professor Norman Gemmell.

the participants to start conversations with their peer group. The participants would be allowed to attend the *Affording Our Future* conference free of charge, and the Treasury offered its conference room as a venue for the workshop.

Special guests

One of the key purposes of the workshop was to expose youth to interesting people and demonstrate the breadth of opportunities available in New Zealand. To this end, we invited a number of speakers to join the young people in sessions throughout the workshop, not only to put challenging questions to them and to give their thoughts on the *2012 Youth Statement*, but also to talk about their careers.

We were very fortunate that a number of accomplished New Zealanders chose to share their time with us: Colin James, political journalist; Chris Laidlaw, broadcaster and Greater Wellington Regional Councillor; Mark McGuinness, Managing Director at Willis Bond & Co.; Bill Moran, Deputy Secretary, Strategy, Change and Performance at the Treasury; Sam Morgan, entrepreneur and founder of Trade Me; and Dr Patrick Nolan, Chief Economist at UK-based think tank Reform.

In addition, we also had a few ‘roaming experts’ who popped in and out of the workshop to offer assistance and challenge the participants’ thinking: economist Andrew Gawith, currently Executive Director of Gareth Morgan Investments, and Treasury analysts Becky Prebble and Neil Cribbens.

The participants also had an opportunity to present their *2012 Youth Statement* to Minister of Finance Bill English and National MP Paul Goldsmith. Both were very generous with their time, and the participants were grateful to have the chance to discuss the statement with them.

The interns

Rather than using young economic experts to guide the working groups, we asked the Institute’s summer interns to fill this role.

Our 2012 interns were Maria English, Penny Garty, Josie McGuinness and Ella Spittle, who had arts, accounting, law and politics backgrounds respectively; none had expertise in macroeconomics or fiscal policy. This proved beneficial as it allowed them to approach the material with fresh eyes. As well as assuming a quasi-facilitator role, they were themselves true participants in the workshop.

The interns worked with Wendy to develop a series of exercises that would guide the participants through the process of drafting their *2012 Youth Statement*.

The participants

In selecting participants for the workshop we sought students with interests in macroeconomics, finance, public policy and communication. To start with, we approached university lecturers in economics departments around the country and asked them to recommend top students, who they felt were inquiring, passionate about New Zealand, good communicators, and had an interest in fiscal policy. We also asked for applications from the young people who had taken part in *EmpowerNZ* and *StrategyNZ*. Registration was open to other young people via the *LongTermNZ* website, and a number of participants applied in

this way. The workshop was oversubscribed, and although it was disappointing to have to turn people away, it was encouraging to see such a high level of interest and it was difficult deciding on the final group.

All applicants were required to write 150 words about themselves and why they wanted to attend the workshop. Reading the applications was extremely reassuring – these young people were motivated, bright and engaged young New Zealanders, who we were confident could cope with the challenges the workshop would present.

The design team

The Institute firmly believes that integrating design into the workshop process from the beginning is crucial to the integrity of the final product.

The design team for *LongTermNZ* was led by Gillian McCarthy, who has worked with the Institute since 2010 and was involved with both the earlier workshops. Gillian was supported by Angus McBryde, who was part of the design team for *StrategyNZ*, and Kieran Stowers, an *EmpowerNZ* participant and a postgraduate design student at the Massey University College of Creative Arts.

The support team

The Institute appreciates that most students cannot afford to pay the costs associated with attending workshops such as this, and we therefore covered all costs, including travel, accommodation and food. The Institute adopts this practice for all its youth workshops; in return, we ask the participants to agree to commit to 10 hours of public service in the following 18 months.

Niki Lomax was the project manager for the workshop, supported by Hannah Steiner who worked behind the scenes during the workshop to ensure everything ran smoothly.

Reflections

I would like to say at the outset how impressed I was with the young people who participated in this workshop. The *2012 Youth Statement* represents five days of learning, challenges and conversations. The workshop participants were encouraged to think big – to be bold and ambitious. They were exposed to difficult concepts and were constantly challenged by experts with years of experience.

The *2012 Youth Statement* was not the end of this process. The participants reconvened in April 2013 to give a presentation to the Treasury, they wrote letters to the chief executive of the Ministry of Education and to Members of Parliament and, perhaps most importantly, they have continued to talk to each other and their peers about the challenges ahead. As Colin James noted during the workshop, there is a lot of power in young people talking to each other.

Wendy McGuinness

Chief Executive, McGuinness Institute

Wendy McGuinness is the founder and chief executive of the McGuinness Institute (formerly the Sustainable Future Institute), which she established in 2004 as a way of contributing to New Zealand's

long-term future. Wendy trained as an accountant, gaining a BCom from the University of Auckland and an MBA from Otago University, and has worked in both the public and private sectors as a Fellow Chartered Accountant (FCA), specialising in risk management. She is a regular contributor to international conferences on future thinking, attending the International Conference on Strategic Foresight in National Government in South Korea in December 2011 and the World Innovation Summit for Education in Doha in November 2012. She has also been instrumental in bringing respected future thinkers, such as Professor Peter Bishop, to New Zealand to share their knowledge. In recent years, Wendy has focused on creating a place in which young New Zealanders can become engaged in the future, through initiatives such as *StrategyNZ: Mapping Our Future* (2011), *EmpowerNZ: Drafting a Constitution for the 21st Century* (2012) and *LongTermNZ: Exploring our Long-term Fiscal Position* (2012). This has meant bringing together many wise and generous New Zealanders to share their insights with the new generation.

Workshop Structure

Structured around the *Affording our Futures* conference, the goal of the workshop was to refine the material from the conference and develop the participants' thinking. The central output of the workshop was the *2012 Youth Statement on New Zealand's Long-term Fiscal Position*. However, in order to achieve this, the process had to be flexible enough to respond to the participants' needs as the workshop progressed, but also structured in order to make the expectations clear.

Achieving this balance is always difficult, to ensure they did not feel overwhelmed with information, we used a modified version of the strategy pyramid used at *StrategyNZ* and *EmpowerNZ*. The six levels of the pyramid each represent a different exercise. Within the levels we asked broad questions, which were discussed in groups, allowing for ideas to flow naturally. This meant the participants were less constrained and felt free to raise issues that mattered to them.

We assigned participants to the initial working groups based on the information provided in their applications; we wanted a mix of age, gender and knowledge of economics. Each group was given a name based on a colour (red, purple, green and yellow) and led by an intern whose job was to help with the exercises and facilitate discussions within the group.

The interns and Wendy McGuinness also worked together to design worksheets that would support the exercises at each stage of the pyramid. The participants were provided with a glossary of terms put together by the interns, to ensure everyone was using the same language, and a copy of *Challenges and Choices*, the Treasury's 2009 statement on New Zealand's long-term fiscal position. The interns also had copies of all the *Affording Our Future* presentation slides and conference notes.

Another element of the process that was discussed pre-workshop was design. The design team met before the conference to discuss their strategy for producing a booklet in a short timeframe and how they would engage the participants in the design process from the outset. Gillian had put together a Pinterest board online, which was a collection of images the designers could use for inspiration. Further, on the first evening of the workshop they asked participants to contribute any images that could help guide the look and feel of the document.



Clockwise from top: Conference room at Rutherford House; Dr Patrick Nolan addresses the participants at the McGuinness Institute; Participants enjoying pizza after Dr Nolan's presentation; Pizza at the McGuinness Institute; Jason Armishaw, Julia White and Emma Banks at the *Affording Our Future* conference.

Part 2 | Process

As is always the case with these events, the participants never feel as if they have enough time. Therefore, it was important that the process was designed to deliver the most cohesive final product possible. Wendy McGuinness worked with the interns to develop the following process:

- Stage One: Registration and introductions
- Stage Two: *Affording Our Future* conference
- Stage Three: Talk with Dr Patrick Nolan
- Stage Four: Workshop proper
- Stage Five: Presentation to the Minister of Finance
- Stage Six: Final presentation at Te Wharewaka

Stage One: Registration and introductions – Sunday 9 December

Since they would be working closely together over the five day workshop, the Sunday session was primarily an opportunity for group members to meet each other, build some rapport and discuss the key purpose of the workshop before the conference began. The participants were also joined by Becky Prebble and Neil Cribbens, from the Treasury, who would be assisting them throughout the week.

After registration and initial introductions, the interns led *Exercise 1: Purpose* with an initial discussion on the purpose of a long-term fiscal statement and its audience. The groups discussed the fact that the document would be of value to a wide range of people, including MPs, policymakers, academics, the general public, and youth – some groups simply said ‘everyone’.

The participants were also introduced to designer Kieran Stowers, who spoke on behalf of the design team about the role they would play in developing the final product. It was important for the participants to understand the importance of integrating design from the beginning and the need to think about both written and visual communication from the outset.

Stage Two: *Affording Our Future* conference – 10-11 December

The *Affording Our Future* conference took place at Victoria University’s Rutherford House from Monday 10 December to midday on Tuesday 11 December. The conference addressed the following questions:

- How will population ageing and rising incomes impact on the cost of public health care, superannuation, and government finances?
- Will future governments be able to afford to provide the same public services in the future without excessive increases in public debt and taxes?

- What are the policy options for addressing the future costs of population ageing?
- Will reforms of retirement income policy, health policy or other areas of fiscal policy be necessary?

The conference was part of a process involving the Long-term Fiscal External Panel. This panel of experts and commentators was established by the Treasury to test its assumptions and analysis, ensuring that the *2013 Statement* met its objective of providing a range of viable options to achieve long-term fiscal sustainability.

The conference was divided thematically into 10 sessions, and for each session the participants were asked to fill in a worksheet; these were later summarised in their groups. *Exercise 2: Key Messages from Speakers* was designed to help the participants consolidate key data and messages from each presentation and as a way to encourage them to take notes that could be used later in the process.

Summaries of the participants' notes from each session are shown in Appendix 2, providing a record of the key messages they took from the conference (see page 47). A full list of the conference papers can be found via www.longtermnz.org.

Stage Three: Talk with Dr Patrick Nolan

On Monday evening the participants gathered back at the McGuinness Institute office for a pizza night with Dr Patrick Nolan, chief economist of the UK think tank, Reform.² The participants also heard briefly from Andrew Gawith and Mark McGuinness, who shared their perspectives on retirement saving options.

These special guests were asked to talk briefly about their area of expertise, their career more broadly, and to challenge the participants by asking them to think about different perspectives or issues.

Below Finn O'Dwyer-Cunliffe provides a participant's perspective on the evening.

Pizza session with Dr Patrick Nolan – a participant's perspective

Finn O'Dwyer-Cunliffe

The *LongTermNZ* group was fortunate to have Dr Patrick Nolan join us for a session back at McGuinness HQ. It was great to have a more informal session with one of the conference speakers, where we could engage in debate and have them challenge us directly. Policy chat was made all the better by the addition of pizza and fine New Zealand beer.

Our discussion centred on ways in which we might overcome New Zealand's long-term fiscal imbalances. Dr Nolan admitted that in his role working for a relatively small think tank in the UK he was used to provoking debate through controversial comments, and his approach to New Zealand's problems was very much in the same vein. In response to the ageing population and concerns over intergenerational inequity, he suggested the option of decumulation for retirees. This is a system that encourages older people who are no longer in the workforce to gradually sell off their assets in order to provide for their retirement, thus lessening the burden on the taxpayer to provide for superannuation.

² Dr Patrick Nolan has recently returned to New Zealand to take a position at the Productivity Commission of New Zealand.

Following this, the conversation moved on to hospitals and the notion of decreasing the number of publicly funded hospitals as a means of reducing the state's ever-growing health costs. Dr Nolan told us how the team at Reform had spent countless hours researching ways in which to lower the costs of the National Health Service in the UK. He believed there were innovative ways to reduce the number of hospitals, and even other national health and emergency services, without seriously affecting the availability of care. This proposal certainly sparked a dynamic debate among the participants.

We welcomed the unbridled opinions of Dr Nolan, whose policy proposals were contentious, if not downright radical. I personally enjoyed his contribution for the fact that all too often debate about serious economic and social reform trims around the edges, proposes little, and gives in to the unambitious voice of moderation. Having said this, I believe Dr Nolan's strength was also his weakness. He did not discuss how it might be possible to convince an electorate that is committed to the ideals of universal superannuation and healthcare into accepting less and to making the sacrifices he envisages; chief among those a further increase in unemployment.

Moreover, accepting proposals such as downsizing our health coverage would be to betray a fundamental vision of a nation that cares for the sick and needy and does not seek to reduce patients to consumers or people to labour units. Dr Nolan's ideas were intelligently crafted and unmistakably bold, but the group took issue with the consequences and to me his proposals spoke of an entirely undesirable monetisation of New Zealand society.

Stage Four: Workshop proper

Framing the mission

Exercise 1: Purpose

Exercise 1: Purpose was concerned with framing the mission, as well as the audience and purpose of a statement on New Zealand's long-term fiscal position. The participants had begun *Exercise 1: Purpose* on the Sunday evening, and it was interesting to see how their thinking had changed after the first day of the conference. The participants were asked to brainstorm in their groups to come up with answers to the following questions:

1. Mission: Why does a statement on New Zealand's fiscal position exist?
2. Audience: Who else is interested?
3. Audience: Who else is not interested but should be?
4. Purpose: Create a clear statement of purpose.

This exercise not only clarified the purpose of the statement, but helped the participants identify to whom they would be communicating their message.

Mission

- *Purple group*: Financial literacy, public awareness, government accountability, guideline for decisionmakers on consequences of choices, actions and inactions, requirement of the Public Finance Amendment Act 2004.
- *Red group*: The Public Finance Act says we have to try to keep New Zealand financially stable, public input, transparency, assist all planning.
- *Yellow group*: Our fiscal policy settings aren't sustainable given the ageing of our population and associated effects (tax, healthcare etc.). So we want to use the long-term to influence the short-term.
- *Green group*: Long-term fiscal statements provide a holistic view of economic performance without being distorted by one good or bad year. It shows sustainability. Projections will highlight government pressures despite not necessarily being accurate. The Public Finance Act requires the Treasury to do it. The electoral cycle encourages a short-term focus. This statement provides us the alternative long-term view. Decisions made today can have a long-term impact, not just in the short term. We can make informed decisions to maintain or increase our standard of living. To evaluate changing population and other demographic variability. To shed light on the shadow of an uncertain world.

Audience

Who else is interested?

- *Purple group*: Academics and researchers, politicians, public servants, businesses, overseas investors, iwi groups, taxpayers, regulators, lobbyists.
- *Red group*: Future citizens, overseas investors, taxpayers, youth, potential immigrants, major training partners, parliament, academics.
- *Yellow group*: Policymakers.
- *Green group*: Students and those interested in economic policy, politicians, lenders, general business, people who will be working taxpayers.

Who else is not interested but should be?

- *Purple group*: Taxpayers, young people, low socio-economic communities.
- *Red group*: Young people, most of the public.
- *Yellow group*: Not many people are interested outside of policymaking but no one will be unaffected by demographic change.
- *Green group*: People focused on personal short-term economic strife, young people, non-voters, busy people, people who are already struggling, everyone else.

Purpose

- *Purple group*: Increasing awareness and understanding of the government piggy bank now and in the future.
- *Red group*: Youth fiscal perspective to contribute to the long-term fiscal future so that young people have a voice in the New Zealand we will inherit.
- *Yellow group*: Make the statement relevant, accessible and principle-based so people can be engaged and we can move forward well as a nation.
- *Green group*: Communicating economic information that matters to everyone, and ensuring people take a long-term view.

Media and communication case study and talk with Louis Chambers

After the conference ended on Tuesday, the participants were asked to look at a media and communication case study, to encourage the participants to think about the importance of effective communication.

Engaging in public debate can mean being exposed to a range of opinions and, in some cases, criticism, thus it was important that the participants were aware of this. Louis Chambers (participant of *EmpowerNZ* and *LongtermNZ*), addressed the participants on his reaction to a critical opinion piece that came out in the *Dominion Post* newspaper after *EmpowerNZ*. The participants were asked to discuss a number of questions relating to the article.

Special Guest: Chris Laidlaw

The media and communication case study also tied in with a question and answer session with Chris Laidlaw who discussed ways of communicating tough and complex issues to the public. He answered questions about the opportunities presented by social media, crowd sourcing, and the potential for New Zealand businesses to become internationally competitive. When asked about the major challenges facing New Zealand, Chris replied that in his view child poverty is our biggest challenge. This point was well received, as many participants had noted the absence of this issue during discussions at the *Affording Our Future* conference.

Content

Exercise 2: Values, imagery and vision

Exercise 2: Values, Imagery and Vision asked the participants to think about some broad concepts that would permeate the document. The aim of this exercise was to help the designers clarify the participants' collective perspective and provide a clear way forward.

The exercise asked of the participants:

1. Brainstorm in assigned groups four values that should drive everything you do over the following days.
2. What image reflects your thoughts?

3. Have a group discussion about vision; what kind of country do you want New Zealand to be in forty years?

Below is an outline of the results of each groups' discussion.

Purple Group

Values: Challenge and guidance, intergenerational justice, equity, understanding, stability, personal responsibility, social responsibility, hope, kaitiakitanga, multiculturalism, united.

Imagery:

- Paper dolls holding hands together: people of different generations coming together.
- A horizon.

Vision: A forward-looking New Zealand where all generations are empowered to participate in shaping our united future.

Red Group

Values: Sustainability, transparency, prudence, accessibility.

Imagery:

- Circles interlocking: symbol of sustainability, changing ages, continuity, passage of time, fairness.
- Pocket knife: a symbol of Kiwi ingenuity, innovation, being prepared, efficiency, frugality and prudence.
- A horizon with mountains: symbol of looking forward, climate change, positivity, the mountains are like a challenge.
- Knitting needles and wool: symbol of the elderly, uncertainty where the ball of wool ends, like our uncertain future.

Vision: Equal opportunity for all, not being bankrupt, being sustainable, high standard of living, a strong sense of national identity, a resilient, innovative, vibrant economy, social cohesion.

Yellow Group

Values: Fiscal sustainability, intergenerational equity, empowerment through education, resilience, durable.

Imagery:

- A picture of a young person and an old person holding hands to symbolise intergenerational support and cooperation.
- A picture of a bullet-proof car to symbolise a bullet-proof economy.
- A sustainable dollar sign.
- A fiscal magnet.
- A picture of pieces of a pie.

Vision: Be a country that attracts social capital, our best and brightest. To be in a position to transfer wealth to our children, not take from them. Increase political and financial literacy through education. Choose responsible policies which minimise effects on the environment and preserve New Zealand's clean, green environment. Create a New Zealand where youth are not an oppressed minority.

Green Group

Values: Sustainability (environment and fiscal), multiculturalism, social cohesion, resilience, fairness, equality, collective responsibility, ambition, individual potential, aspiration, peace, optimism, inclusion.

Imagery:

- paper dolls holding hands together getting progressively smaller to symbolise generations working together.
- An adult and a child reaching for the stars to symbolise aspiration.
- Four pieces of rope tied together to symbolise togetherness.
- Wind turbine as a symbol for renewable energy.
- A handshake to symbolise people working together.
- New Zealand with lines coming off are connections to surrounding islands, to symbolise how New Zealand needs to connect itself to the rest of the world.

Vision: A country that adapts to a changing world and changes the world. A country with a more even distribution of wealth; where living standards are better for everyone. A country where people have dreams and achieve them.

Values

After presenting their ideas to each other the participants chose an overall set of values to guide their document:

Unity and diversity, everyone having a fair go, social and personal responsibility, ambition, empowerment and sustainability.

Imagery

The imagery exercise was the origin of an important element of the final document: the *LongTermNZ* 'Fiscal Tool'. Participant Julia White pitched her idea of a pocket knife to the group, with each tool metaphorically representing the different tools at the government's disposal for addressing significant challenges. The idea of using this 'Fiscal Tool' to communicate the various options available to fix the country's fiscal problems really caught on among the participants.

The designers showed the participants the various tools found on a pocket knife and asked the groups to brainstorm a way for each tool to symbolise an area of change or action that could be put into motion for the fiscal future. It was also decided that the group would present Minister of Finance, Bill English, with his own fiscal pocket knife at the presentation of the *2012 Youth Statement* the following day. They hoped that this gift would remind him that youth are interested in fiscal issues and motivate him to think about our future.

Vision

Creating an overall vision for the future was challenging for the participants as they were unsure whether realism or optimism should be the basis of their vision for New Zealand in 40 years. It was decided that they should say what they think New Zealand should be like, in keeping with their values of ambition and everyone having a fair go. Their final vision is as follows:

Our vision for New Zealand in 2052 is a country with high living standards, where those who want to work can. We live in strong, socially connected communities where people have access to basic needs and those who have retired are provided for. Environmental quality is maintained. Ingenuity and fairness are upheld. People are entrepreneurial and see themselves as global citizens. There is integrated thinking across sectors. Crime rates are low and the justice system focuses on rehabilitation and preventative justice. All New Zealanders can get a good school education, and an affordable tertiary education that balances critical thinking with relevant skills for the job market.

Key Messages

To decide on key messages for the document, Becky Prebble ran a session in which the participants were asked to discuss in groups the key messages they wanted to include, following this each group was asked one of the following questions:

1. What can our society do to improve our long-term fiscal position?

2. What are things that would directly affect government spending?
3. What are things that would increase government revenue?
4. What can be done within our existing framework and what can be done beyond our existing framework?

These questions grouped together the options in clearer areas of focus and enabled the participants to begin to format their ideas. They came up with six main areas to focus on for the final document:

1. Reduce costs.
2. Increase tax revenue.
3. Increase savings.
4. Build human capital.
5. Improve productivity.
6. Improve social cohesion.

Ultimately, the participants did not want to articulate a specific plan in their *2012 Youth Statement* or advocate for particular policy options, but rather convey key messages and the options available to the government. They knew they didn't have all the answers and could not even attempt to solve every issue in the time available; they just wanted to begin a discussion. The participants also wanted the document to represent the diversity of the group. However, with opinions clearly polarised on some hot issues, they realised that turning their statement into a policy document would not achieve this. They were extremely interested in the idea of transparent trade-offs, and gave examples of these in their final document.

Special guests

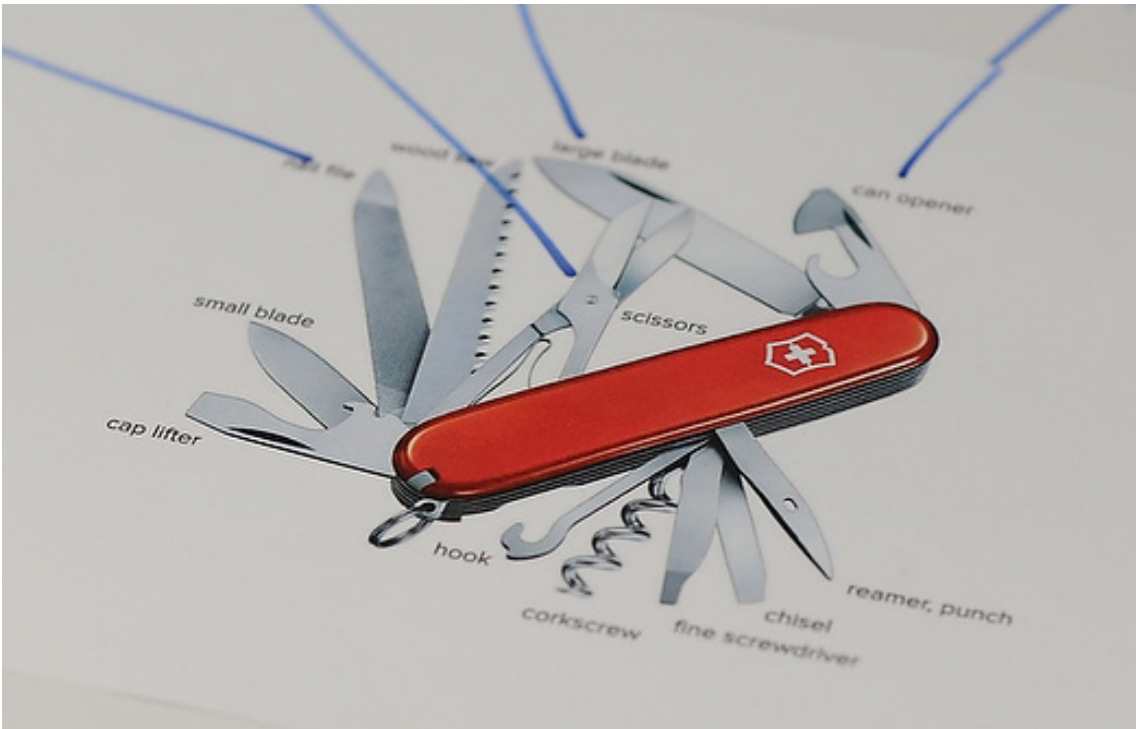
Throughout the workshop the participants were visited by a number of special guests, including economic experts from the Treasury and speakers from the conference.

Bill Moran, Becky Prebble and Neil Cribbens

The question and answer session with Treasury's Bill Moran (Manager of the Macroeconomic and Fiscal Policy team at the time), Becky Prebble and Neil Cribbens provided the participants with an opportunity to learn how the Treasury works, what it is like to work there, and the process behind writing a long-term fiscal statement. Bill, Becky and Neil discussed how they had each come to work at the Treasury, and the types of attributes, skills and academic backgrounds they sought in newcomers.

Colin James

The group also heard from Colin James, a political journalist who spoke at the *Affording Our Future* conference. He talked about his career and how excited he was about the vision and drive young people can bring to the process. He touched on the presentation he had given at the conference, which advocated citizens' assemblies and other forms of active democracy. He was very positive about groups such as Generation Zero, which provide a collective youth voice on important issues. In the same way that senior citizens have lobby groups such as Grey Power, he mooted that young people have legitimate common interests that could form the basis of a youth lobby group.



Clockwise from top: Chris Laidlaw addresses the participants at Treasury; Red-Group participants Athene Laws and Elizabeth Prasad present their exercises; Fiscal tool brainstorm; Asha Rhodes, Ella Spittle, Emma Banks, Andrew Gawith, Becky Prebble, Diana Tam, Amy Wood and Darren Zhang discussing ideas at the Treasury; Asha Rhodes presents Bill Moran with gift.

Andrew Gawith

Andrew Gawith returned as another special guest. He encouraged the participants to come up with a well-articulated vision of where they wanted New Zealand to be in 40 years, and to look forward from the current challenges we face. He challenged them to think of capabilities New Zealand may need to develop to cope with future fiscal pressures: for example, the kinds of institutions the country could have. He also commented that it is necessary to be exposed to risk in order to adapt, as more debt can lead to higher revenues.

Andrew, Becky and Neil remained with the participants for most of the day to engage in discussions, ask challenging questions and inspire the groups to develop their ideas.

Structure and design

The structure of the document was formulated by the design team and Wendy McGuinness. On the basis of this structure, four working groups were created to work on its content:

1. Purpose group: this was the first spread in the statement, which would include the values and vision that had been worked on in earlier exercises. The group also had to identify the main challenges facing the country and the overall purpose of the *2012 Youth Statement*.
2. Key messages group: it was their job to collate all the earlier work done by the groups, summarise the key messages that had resonated most with the participants, and consider any trade-offs.
3. Fiscal policy group: it was this group's job to pull focus to particular areas of improvement and to collate the possible initiatives that had been discussed and generally supported over the previous days. They were also tasked with assigning the symbolic meanings to the different tools on the pocket knife.
4. Data group: this group gathered relevant data, the majority of which had been presented at the *Affording Our Future* conference, to include in a two-page spread of statistics. This comprised the data that had resonated with the participants and that they thought the public needed to know.

The participants were encouraged to choose the group they were most interested in; some remained in one group, while others floated between the groups. Later in the process, a fifth group was formed to work on the presentations to Bill English and the finale lunch. These participants were keen to be involved with the presentations, and organised their delivery.

The participants focused on creating a document that would be representative of the groups' views. While building consensus among so many people was always going to be a challenge, everyone agreed that action needed to be taken.

The participants identified three main challenges:

1. Costs are growing.
2. Risks and shocks are inevitable.
3. Opportunities exist.

'Some tough questions' survey

At the *Affording Our Future* conference, Sir Michael Cullen had directly addressed the participants during his presentation, asking them to raise their hands if they believed they would receive superannuation when they reached 65; most of the participants did not. As a consequence of this exchange, it occurred to us that it might be interesting to ask the participants some questions about their own expectations for the future. As a group of bright and engaged young people, they represent the precise type of talent that we want shaping New Zealand's future.

On Wednesday night McGuinness Institute staff member, Niki Lomax, together with several of the participants, put together a survey that asked some 'tough questions', based on the discussions at the workshop. These included: Do you believe you will own your own home before you're 30? How big do you expect your student loan to be? Should we increase our reliance on natural resources to afford the future?

One particularly reassuring fact to emerge was that of the 89 per cent of participants who planned on leaving New Zealand, 82 per cent intended to come back. Some of the results from this survey were used on page 13 of the *2012 Youth Statement*.

The 'Auntie Gertrude Challenge'

It was at this stage that the 'Auntie Gertrude Challenge' was put together by the designers. Communicating the ageing population problem had been proving difficult, but designer Angus McBryde suggested that one way of making it more engaging, bright and fun would be to design a cartoon.

The content of the cartoon was based on Dr Andrew Coleman's conference presentation (see Appendix 1) and it presents possible future options for the main character, Auntie Gertrude, and the government. The cartoon was initially called the 'Auntie Gertrude Problem', but it was decided this sounded negative and implied only one solution. In contrast, the 'Auntie Gertrude Challenge' presents an opportunity to explore options and consider alternatives to tackle the superannuation situation.

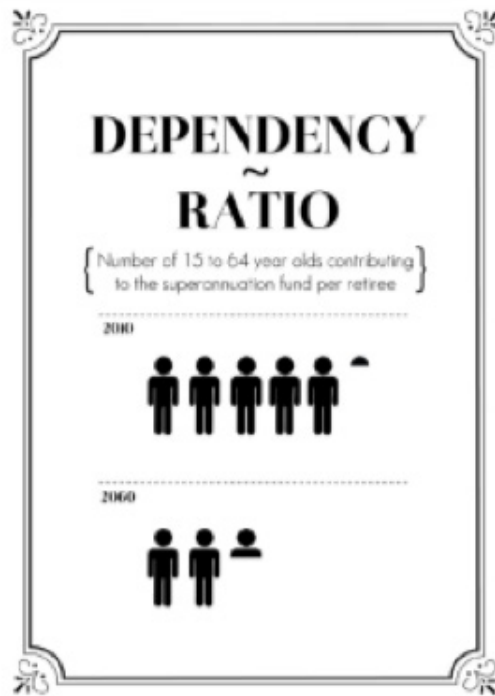
Communicating our long-term fiscal position

Below Kieran Stowers and Angus McBryde share their perspectives on communicating our longterm fiscal position through design.

Kieran Stowers

When it came to designing the *2012 Youth Statement* we presented two concepts to the participants. The two mood boards presented were visual precedents and interpretations of the themes discussed in the working groups.

The first concept centred on a youthful and exuberant visual style, with bright colours and expressive typography that describes the optimism felt by the group that in 40 years' time the economic shape of New Zealand will be a healthy one.



Clockwise from top: Designer's mood board; old fashioned design concept; bright modern design concept.

The second option references the past through vintage typography, where conservative, old-fashioned values should guide the younger generation through austere times and into the future.

The first option was found to be more appropriate, given that this was a *youth* statement. The second option, though it had the rhetoric of authenticity and austerity that describes the current situation, was found to be too dim and ran against the sincere optimism felt by many of the participants.

The design process developed rapidly as we worked furiously overnight to continue drafting, with a steady stream of content and revisions sent our way. The participants trusted us that this would not look like any other report, but would look like ‘our’ report – we imagined the *2012 Youth Statement* sitting among the sober and plain documents in ‘Annual Report Land’, as we called it.

The logo and graphic elements we used caused a little confusion among the participants, until it was explained to them what they meant. The logo on the front cover was developed at the workshop. The wavy lines represent the continued fluctuations in the long-term health and productivity of the people of New Zealand. Shocks to the economy may come, but we ride the waves and continue on. The four crosses represent in Roman numerals the 40 years of fiscal projection into the future. They also represent symbolically the Southern Cross as a marker of our national identity and as an ancient and trusted tool that will remain fixed, guiding us into the future.

The distillation of values can, at times, be a messy business. As designers, we have much to learn from our Law, Commerce, and Arts counterparts, and vice versa. It was a privilege to be able to participate in shaping a document such as this, which all were truly proud to present.

Angus McBryde

I joined the *LongTermNZ* workshop as a designer, with no background in economics or public policy. Alongside the participants, the design team attended the *Affording Our Future* conference on 10–11 December. The issues being presented at the conference were foreign to me, but ultimately this was an advantage. My task was to communicate these complex issues to the public, many of whom also have no background in economics or public policy. Being in the same position as these people was a constant reminder of the importance of effective and engaging communication. Most of the speakers at the *Affording Our Future* conference managed to explain the issues in a way that didn’t require you to have a degree in economics to be able to understand them, and we, in the following days, were committed to doing the same.

During the workshop the participants asked us to visualise the financial problem with the current superannuation system and four possible policy changes that could be implemented. We decided that a narrative about a retiree and the repercussions of each possible policy change on her life would be easier to relate to than a series of statistics. As young people, humanising the statistics reminded us not to engage an ‘us and them’ mentality. The scenarios created for each policy change were very interesting, but also dense with information, so we needed to present them one at a time so as not to overload the reader. Ultimately we chose to visualise the information in the form of a comic strip. This is how Auntie Gertrude was born. In the end there was a lot of information on one page, but we feel it was communicated in an effective and engaging way that the readers hopefully enjoyed.

Stage Five: Presentation to the Minister of Finance

On the fourth day of the workshop the participants met the Minister of Finance, Bill English, in his office. He then led them through the Bowen Street tunnel to the Treasury (a route normally only used by Members of Parliament and government staff) where they were to give their presentation.

The *2012 Youth Statement* was presented to Bill English and fellow National Party MP Paul Goldsmith, the development of the process was explained, and the five key messages were highlighted.

The presentation centred on the key messages in the document:

1. Youth need to participate in the debate.
2. We have the opportunity to act early.
3. Building consensus around hard decisions is important.
4. Other areas of spending remain important.
5. There is no silver bullet, but we do have solutions and choices.

At the conclusion of the presentation, Julia White presented Bill English with his own custom-made 'Fiscal Tool' as a symbolic representation of the tools he possesses as Minister of Finance.

This was followed by a question and answer session – a rare and fantastic opportunity for the participants to have their questions answered by the minister in charge of directing policy on the issues they had been discussing.

Bill English strongly emphasised the importance of public engagement, describing the government's role as reactive to public desires, rather than being prescriptive. For effective change to occur, he said, a significant segment of the public would have to demand action. This reinforced the importance of the group's *2012 Youth Statement* and their broader contribution to this discussion.

Stage Six: Final presentation at Te Wharewaka

The final presentation took place at Te Wharewaka, on Wellington's waterfront. The participants now had to be prepared to answer questions and discuss the statement with members from the public. They shared their experiences and the lessons they had taken from the *Affording Our Future* conference, many commenting that they had been impressed at the interest the conference speakers and attendees had shown in hearing their point of view. While they were surprised at how little discussion there had been around climate change, student debt and housing affordability, overall they felt that many creative solutions had been offered.

Commenting on the workshop and the process of compiling the document, the participants stated their appreciation for the help and advice given by the workshop guests, particularly Colin James and Andrew Gawith, whose enthusiasm for the project had ensured they were challenged and inspired. They then showcased their output, again presenting their 'Fiscal Tool' and key messages. The guests were also shown the Auntie Gertrude cartoon, and examples of the trade-offs that had been explored.



Clockwise from top left: Ben Abraham, Finn O'Dwyer-Cunliffe, John Hughes, Louis Chambers and Maria English working late at the McGuinness Institute; Finance Minister Bill English high-fiving Asha Rhodes; Participants at Treasury; Participants presentation at Treasury; Bill English, Paul Goldsmith, Wendy McGuinness and Julia White during the presentation at Treasury.

These included:

1. Superannuation: Link the age of eligibility to life expectancy.
2. Health: Focus more on primary healthcare and nurse-led care to reduce the number of hospitals.
3. Environmental: Introduce a carbon tax.

The presentation concluded with the participants noting that the *2012 Youth Statement* was still a work in progress, that it was a reference point for a youth perspective, and merely the first step toward increasing youth involvement in this conversation.

To view this presentation visit our YouTube channel via www.mcguinnessinstitute.org.

Part 3 | Opportunities, Perspectives and Reflections

Initially, we had planned to end the workshop on the Thursday afternoon, following the presentation at Te Wharewaka. However, two opportunities arose, in the form of special guests, and we decided to extend the workshop to Friday at midday. We filmed these sessions and made them available on the McGuinness Institute's YouTube channel.

In this section we discuss these two opportunities and also provide perspectives and reflections from those who participated in the workshop.

Opportunities: Special Guests

Dr John Volpe

The first opportunity was a presentation by Dr John Volpe, research director at the Seafood Ecology Research Group (SERG) in Canada during the McGuinness Institute Christmas drinks. Earlier in 2012, the McGuinness Institute had made a submission to the Environmental Protection Authority (EPA) in relation to an application by New Zealand King Salmon to extend its aquaculture operations in the Marlborough Sounds. During the course of this process we were put in touch with Dr Volpe, whose expertise in aquaculture was enormously valuable. His visit to New Zealand in December provided a fantastic opportunity for the workshop participants and invited guests to gain an insight into his work.

Below participant Ashleigh Cox outlines the key ideas from Dr Volpe's presentation.

A presentation by Dr John Volpe – a participant's perspective

Ashleigh Cox

Since we've become so far removed from a lot of the processes of producing what we consume, we often don't know the ecological impact of our shopping choices. Yet, making environmentally sound choices is becoming increasingly important for the planet and for us, which made John Volpe's presentation at the McGuinness Institute Christmas drinks so promising. He and his colleagues from the Seafood Ecology Research Group (SERG) at the University of Victoria, Canada, have developed the Global Aquaculture Performance Index (GAPI), which assesses marine finfish farming on ten key indicators to objectively and explicitly compare the ecological impact of each species in each country.

GAPI scores are displayed in a spider-web diagram that clearly indicates an industry's relative performance in any of the ten areas measured – such as industrial energy use or anti-foulant use. In addition, industries receive an overall score out of 100. This makes it clear to producers where the 'low-hanging fruit' of environmental improvement lie, and empowers consumers by informing them of the true ecological costs of their potential purchases. As Dr Volpe points out, this is not an eco-label or buying guide; however consumer standards can be ranked by calculating a GAPI score for the minimum level of each indicator deemed acceptable by each standard, which can then be compared to the score of the average performance in the particular industry. What they found was that most standards demanded very little improvement above the status quo environmental performance in the industry; the most demanding labels were organic certifications, and the least was a retail supermarket certification that only required an environmental performance 10 percentage points below the average.

New Zealand chinook salmon ranked the highest of any industry with a score of 77, which, however, Dr Volpe told us ‘was not a score I’d be happy with his kids bringing home from school’, reminding us that being the best is not good enough in this case. We are still a way off zero impact – represented by a score of 100 – and he urged New Zealand to stay at the forefront of innovation in this area. He is particularly hopeful about one specific technology – recirculating aquaculture systems, or RAS. This is a method of farming fish in bio-secure tanks which recirculate up to 100 per cent of the water used and see fish being grown out in only 12 to 15 months, without any chemical or antibiotic inputs, and reducing the carbon footprint of the operation by 85 to 95 per cent. This is largely due to the ability to locate the RAS tanks close to where the product is to be consumed, since transport is the main contributor to carbon emissions in a conventional arrangement. These attributes give RAS-raised fish an almost perfect score on the GAPI.

But it is not all about fish. While it is obvious that farming fish has adverse ecological effects, Dr Volpe realises that the debate between the relative merits of various fish species detracts from the bigger picture, as he claims: seafood is more sustainable than terrestrial animal protein sources, which are far more constrained in their growth and innovation prospects. He would like to see the GAPI broadened to include all animal protein sources and compare each in a qualitative, objective way, believing that doing so has the potential to engage consumers like never before. I agree. More independent, scientific, yet accessible information that informs us of the implicit endorsements we make when we choose what to eat each day will motivate us to support better environmental practices, and that is precisely what will motivate producers to adopt better environmental practices. This is what I found so promising about Dr Volpe’s approach – this kind of education empowers consumers, and I’m sure we will make positive change.

In January 2013 Ashleigh Cox was awarded the McGuinness Institute’s Jan Lee Martin Science Meets Humanities Scholarship. This scholarship enables recipients to pursue independent research under supervision from an expert in their field. Ashleigh’s project is a scoping exercise, supervised by Dr John Volpe, investigating the potential for extending the Global Aquaculture Performance Index (GAPI) to measure and compare the environmental performance of the major animal-protein sources produced in New Zealand. The results of the investigation will be published as a working paper.

To view Dr John Volpe's presentation visit our YouTube channel via www.mcguinnessinstitute.org.

Sam Morgan

The second opportunity was a chance for the participants to meet Sam Morgan, a New Zealand entrepreneur best known for founding Trade Me. He talked about his career and philanthropic portfolio, as well as providing an insightful perspective on the role of good governance and entrepreneurship in a prosperous and sustainable economic future. He was open to all the participants’ questions and responded with wit and wisdom.

Below participant Diana Tam summarises the key ideas from the Q&A with Sam.

A Conversation with Sam Morgan – a participant’s perspective

Diana Tam

The Friday morning that we had morning tea with Sam Morgan was a warm and lazy one. For the past four days (which crept into nights) we had been conferencing, planning, writing, discussing and debating New Zealand’s fiscal future. Only the previous day, we had formally presented our 2012 *Youth Statement*. By the time we all piled into the McGuinness Institute office on that Friday morning we were ready to relax.

Relax, of course, being relative – I think few people would see relaxation as quizzing a millionaire on business, education and economics. That gives you an indication of the calibre of the young people I was able to work with.

An introduction to Sam is largely unnecessary, but I definitely see him as being self-made. What really stands out about him is his entrepreneurial streak, which was evident throughout the conversation. I admire his ability to see a market and actually go out there and do something about it.

The morning tea was framed as a Q&A session, and the questions came fast. Do large institutions curb innovation? What do we do when the market fails? What is the future for intellectual property rights? What role should the government play in encouraging private savings?

If ever you have heard somebody complain about the apathy of youth today, you would have done well to shove them into the room.

For the most part, I thought Sam was spot on with his answers. There were a couple that I did not quite buy into, but it does say something about our culture when we can disagree with successful, intelligent people yet still have a high respect for them. I would have been interested to see the session turn into a group-wide discussion and hear what my colleagues thought!

I was privileged to attend both *LongTermNZ* and its constitutional counterpart, *EmpowerNZ*. The casual pace of the morning tea was illustrative of the key differences between the two. Both involved the gathering of young people from around the country to discuss issues affecting New Zealand on a macro level. However, *LongTermNZ* was definitely a smaller and less time-pressured affair. I was impressed by the mere fact that we could all sit around afterwards and talk about our final document! The *Draft Constitution* produced at *EmpowerNZ* was a commendable effort given our two-day turnaround, but there was greater consensus and ‘polish’ involved in the *2012 Youth Statement*.

The morning tea was the perfect ending to a busy week of addressing the next 40 years of New Zealand’s future. From what was on show, I am optimistic that we can handle whatever comes our way.

See our ‘A conversation with Sam Morgan’ YouTube playlist via www.mcguinnessinstitute.org

Reflections

For the purposes of this report we asked a participant and one of the workshop guests to provide some reflections on the process.

A participant’s reflections

Elizabeth Prasad

When I first arrived in Wellington to participate in *LongTermNZ* I was unsure what to expect. I had never taken part in anything like it before and had no idea of the extent of what we were going to produce or how hard we would be working. The first day and a half spent at the *Affording Our Future* conference was eye-opening. We had the opportunity to hear from and interact with experts who presented us with a great deal of information and insight into the problems facing the New Zealand economy in the next 40 years.

The group came away from the conference with the sense that a youth perspective was largely absent from the presentations we had heard. There was a lot of anger in the room as we realised just how big the superannuation problem was going to become and the burden that would be placed on our generation. Our task of producing a *2012 Youth Statement* took on a new level of importance and we began working on ideas and themes for the document that evening. Initially we were focused on specific issues that particularly affect youth, such as student-loan debt and the rising cost of housing, which, disappointingly, were only mentioned by the one speaker who was in her twenties. We quickly realised we needed to decide what sort of document we would be producing and exactly how specific our solutions would be.

We knew from the outset that it was impossible to agree on concrete solutions in such a short timeframe. Upon meeting my fellow participants I was immediately struck (and a bit intimidated) by how articulate and passionate they all are about New Zealand's economic future. Anyone who thinks young adults are apathetic should have been present to hear the lively debate going on during the workshop. In the beginning I was uncertain whether we would be able to reach any consensus, given the many strong opinions held across the group. However, we managed to come up with five key messages that were coming up again and again, and I think those messages accurately reflect the work we did and the conclusions we came away with. For example, for me, what really stood out and what we kept coming back to over the workshop was the need for young people to be informed and involved in the decisionmaking process. We could (and did) produce a range of options that could be taken, but in the end what is needed is the engagement of youth to make an informed decision about those options. By the end of the workshop I was feeling more positive about our options than I had after the conference. We all understood the problem, now we needed to make sure our peers understand it too, and that they know the options available.

Obviously this was a highly ambitious task to undertake so quickly. Work on the document continued overnight and the presentation on Thursday was rushed, with many of us finding out what parts we were presenting only shortly beforehand and not being able to have a run-through. Despite this, everyone did an excellent job. All the participants came away well-versed in the issues and enthusiastic about meeting the challenges ahead. The document we produced was only a first draft but the core messages were strong and we were all keen to further refine it in the post-workshop week.

We had such great support from everyone who was a part of the workshop and got to hear from a variety of experts and interesting speakers. I came away from the week exhausted but also really excited about what I had learned and what we had achieved in such a short time. I know that my peers are all concerned about their futures and whether they will be able to achieve the Kiwi dream; they just need resources and channels available to enable them to engage in the debate. The value of *LongTermNZ* was not just in the output we produced (although I think we can all be proud of it) but in the experiences we had, the connections we made, what we learned, the hope it gave us in our future and the drive it has given us to try and get there.

An expert's reflections

Andrew Gawith

The *2012 Youth Statement* addressed New Zealand's long-term fiscal position (the next 40 years). Thinking about the future involves uncertainty, and the longer into the future we are required to look the less certain we can be about what will happen. Forecasts help us understand uncertainties and in some cases may help reduce them, but they cannot remove them.

Given the lack of certainty about the future it is unwise to be categorical about the nature of the challenges we face and thus the appropriateness of any solution or policy response. Indeed, it may be less important

to define future problems and determine solutions given the uncertainties that prevail over the medium to long term, than to focus on what capabilities we need to be able to handle change and to respond to unexpected events. A better educated and informed society that can recognise and understand the need for change and respond appropriately may place us in a stronger position over the long term than having a small number of experts and politicians identifying and determining the long-term challenges and responses.

The *2012 Youth Statement* is a valuable step in that direction. But more could be done to educate and engage people in thinking about the future, the choices we have, and the importance of making decisions.

The input from Treasury and others to the youth group was valuable in ‘setting the scene’ for the next 40 years. However, to a degree the picture painted became a given – almost a certainty. The ageing population was taken as the dominant issue for the next 40 years but there was general agreement that early and intelligent policy responses could largely resolve this problem, leaving other challenges to take on far more significance over the next four decades. We could have encouraged the group to spend more time considering these other potential challenges.

Andrew Gawith

Executive Director, Gareth Morgan Investments

Andrew Gawith has worked as a professional economist for the past thirty years, and holds an MAgrCom (Economics) from Canterbury University’s Lincoln College. In 1983 he joined Gareth Morgan in founding Infometrics Limited, an economic forecasting and consulting business. In 2006 Andrew took responsibility for setting up the Gareth Morgan KiwiSaver Scheme. Currently the Executive Director of Gareth Morgan Investments, he remains involved in the day-to-day development of Gareth Morgan KiwiSaver Limited. Andrew takes a direct interest in the evolution of the KiwiSaver regime from both a business perspective and an economic policy perspective.

Part 4 | Outputs

The key output of the *LongTermNZ* workshop was the *2012 Youth Statement*. In this section McGuinness Institute intern Penny Garty discusses the development of each spread of the document. We have included this description of the production process here as a record, primarily for the participants, of the post-workshop development of the document. To read the statement in full, see Appendix 2 (page 47), or download a PDF of the document at www.longtermnz.org.

The 2012 Youth Statement

The version of the statement that was presented on 14 December was a first draft. Being under such immense time pressure, it was extremely difficult to create a document that didn't have a few mistakes in it. Therefore, it was decided that after the workshop the document would be refined to create a second version. This also meant that the participants had the opportunity to provide their feedback on the first draft, and include any ideas that had slipped through the cracks during its creation.

This process was managed by the McGuinness Institute interns. We provided sections of the document for the participants to review and then made the necessary changes in response to their feedback. The final version of the *2012 Youth Statement* was stronger and more concise than the original version, and was also more representative of the group's views.

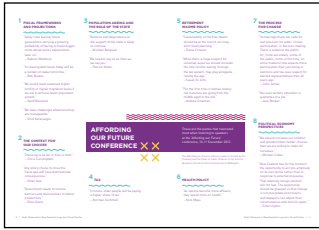
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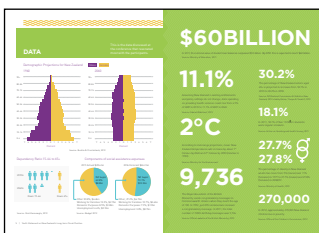
Front cover: The participants wanted the cover to be bolder and brighter than that of the first draft, which was predominantly white. The cover was made entirely blue, with the white text and yellow crosses providing a sharp contrast (the *LongTermNZ* logo is explained at the end of the document).



Purpose spread: The vision of the participants, the values that guide the document and the challenges recognised are set out in this spread. It includes an account of the workshop, the aim of the document, and a brief explanation of why statements of long-term fiscal position are produced.



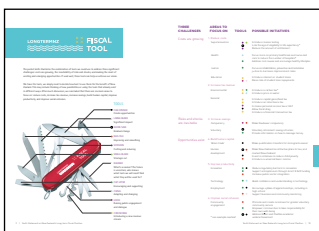
Quotes spread: This spread was added post-workshop. Quotes from the *Affording Our Future* conference that had been noted by participants were compiled by the interns and the most popular quotes from each speaker were included in the statement. The quotes were verified by the speakers, who also had the opportunity to add to their own quotes if they wished.



Data spread: This spread contains facts and figures relating to New Zealand’s current fiscal position. These statistics resonated with the participants, who thought other young people would find them useful and interesting.

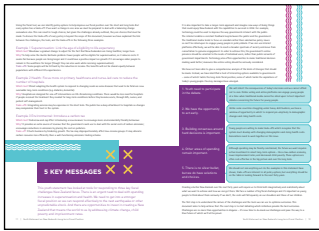


Auntie Gertrude spread: This spread used concepts from Dr Andrew Coleman’s presentation at the *Affording Our Future* conference and presented options for retiree ‘Auntie Gertrude’. The cartoon is a fun and creative way to explain the superannuation challenge. It should be noted that the figures calculated do not include the time-value of money.



Fiscal tool spread: The detail in this spread was fairly contentious post-workshop. It was largely reconstructed, and possible initiatives were added and removed to best reflect the overall views of the participants. Each tool on the pocket knife symbolises one of the tools available to the government to implement policy change. The table included in the fiscal tool spread lists the three key challenges identified by the participants, then within each challenge there are areas to focus on; for example, reducing costs or increasing tax revenue. These are broken down into more specific areas and linked to possible

initiatives or policy options, suggested by the participants. Each of these options is linked back to the fiscal tool with the use of a colour key.



Key messages spread: This spread includes examples of how each policy option comes with inherent trade-offs. Three examples are explored: linking the age of superannuation eligibility to life expectancy; focusing on primary healthcare and reducing the number of hospitals, and introducing a carbon tax. This spread also includes the five key messages participants most wanted readers to take away from the *2012 Youth Statement*.

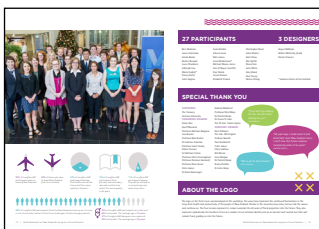


Photo spread: This spread includes a photo of all 27 participants and some statistics about the group, which came from a survey that was designed and completed during the workshop. It includes a list of the participants', interns' and designers' names, and a special thank-you list that includes the names of workshop and conference speakers. There are also speech bubbles containing quotes from some of the workshop speakers, and a brief explanation of the *LongTermNZ* logo that appears on the front cover.



Back cover: At the end of the *Affording Our Future* conference all 27 participants were asked to submit a quote that represented their initial response to the conference. Many of us were frustrated to learn that our generation is likely to inherit an unsustainable economic situation. The statements on the back of the *2012 Youth Statement* are our '27 Voices' – they reflect our frustration and the need for urgent action to address these issues.

Part 5 | Outcomes

Presentation to Staff at the Treasury, April 2013

In early 2013 the *LongTermNZ* participants were invited to present their *2012 Youth Statement* to staff at the Treasury. Although many of the participants had prior commitments, we were pleased with a turnout of 13 from the original 27 participants.

Rather than talk through their document, they wanted to provide something new for the Treasury – something that would be interesting and useful. Consequently, their presentation focused on communication and engagement strategies aimed at young people.

We at the Institute were extremely impressed with what the group achieved in such a short space of time. Their presentation opened with a video that was conceived, filmed and edited in only a few hours. It was fantastic that the Treasury extended their engagement with this group and showed a commitment to incorporating a youth voice in their Statement. The open enthusiasm of top Treasury officials to the ideas and perspectives of this group was very reassuring.

An account of the presentation written by two of the participants can be found on the McGuinness Institute blog (www.mcguinnessinstituteblog.org). A video of the presentation is also available on our YouTube channel.

Letters to central government, April 2013

During the *LongTermNZ* workshop it became apparent that there was a clear parallel with *EmpowerNZ* in terms of emergent themes. In both cases, participants expressed frustration at the lack of adequate and consistent civics and financial education at primary and secondary levels and a desire for increased youth engagement with local and central institutions.

As an additional outcome, the April presentation provided an opportunity for the participants to draft a letter to be sent to the chief executive of the Ministry of Education, the Minister of Education and all Members of Parliament. These letters focused largely on the themes discussed in the presentation to Treasury and drew heavily from a group discussion at the Institute that evening. The letters were drafted, uploaded to Google Docs, emailed to all 27 participants for comments and edits, and posted out a week after the presentation.

Policy Quarterly article, November 2013

In July, the Treasury launched its 2013 Statement on the Long-Term Fiscal Position, titled *Affording Our Future*. Subsequently, Professor Jonathan Boston (a lecturer in public policy at Victoria University of Wellington and editor of *Policy Quarterly*) accepted an article for the journal written by two of the *LongTermNZ* participants, presenting a youth response to the Treasury's 2013 Statement. The article was published in the November 2013 issue of *Policy Quarterly*.

Participants Susie Krieble and Finn O'Dwyer-Cunliffe, co-authors of the article, used information from a short survey circulated among the 27 participants, which asked simply if they had read the *Affording Our Future* document, what they thought of it and if they had discussed it with others.

For more on the participants' responses to the 2013 Statement, and Susie and Finn's reflections on the experience as a whole, see the November 2013 (Volume 9, Number 4) issue of *Policy Quarterly*, which is available for free download from the Victoria University's website.

Part 6 | Final Observations

Key Conclusions

Following the workshop, we gathered feedback from the participants through an online survey, the detailed results of which are published in Working Paper 2013/02, *LongTermNZ Participant Feedback*. This section briefly reviews the feedback we received from the participants and provide some insights on the final output.

Are youth interested in exploring New Zealand's future fiscal challenges?

The participants were committed and enthusiastic, and as a group they were absolutely interested in exploring New Zealand's fiscal challenges. They threw themselves into the challenge, truly engaged with the issues, and left the conference determined to continue the conversation with their peers.

However, it must be acknowledged that as a highly educated cohort, this group is not necessarily representative of New Zealand youth generally. As noted by the participants during the workshop, among the general public, and particularly among youth, there is a considerable lack of awareness of the issues discussed at the conference. Prior to the workshop, many of the participants had themselves been unaware of the extent of the challenges New Zealand faces in the future. They found the big picture shocking.

Is New Zealand doing enough to prepare for future fiscal challenges?

Most participants would argue no. Many felt after the *Affording Our Future* conference that although a number of options were discussed and problems identified, it was hard to believe that enough action is being taken to ready the country for the future.

In the feedback survey, participants were asked if they believed that 'adequate planning is taking place to prepare New Zealand for fiscal challenges ahead'. Responses were mixed, but two-thirds of the participants disagreed with this statement.

Recent governments have taken some steps to prepare for the future; KiwiSaver and the New Zealand Super Fund are good examples. However, other areas of spending, such as health and justice, are rarely viewed from the perspective of building fiscal sustainability or resilience to future shocks. In addition, issues like housing affordability, climate change, student loans and child poverty can be overlooked when discussing long-term fiscal challenges. All these conversations should be framed in terms of intergenerational inequity.

Discussions around private savings and asset decumulation struck participants as reasonably premature – how exactly will they start saving for their retirement when they have to pay back their student loans? How will they decumulate when rising house prices are likely to prevent them from accumulating in the first place?

At the session with Minister of Finance Bill English on the Thursday morning, the participants voiced their frustration at the apparent lack of government will. Mr English responded by emphasising that the role of government is to respond to public will. This is an important point that only serves to further

emphasise the need for better public understanding about these issues and the importance of the Treasury's statement on New Zealand's long-term fiscal position as a mechanism to facilitate this.

What issues do youth think are most important?

Intergenerational inequity was a concern and frequent point of discussion between participants, as was the need to build up resilience to shocks or 'black swan' events such as the Christchurch earthquake or the global financial crisis.³ The participants expressed a need for consensus and political will to make change.

The feedback survey also asked participants what they considered to be the main issue facing New Zealand in terms of long-term fiscal planning. This question elicited a variety of answers. The *Affording Our Future* conference emphasised the problem of the ageing population, but this issue sits inside a much broader context.

Problems including the cost of superannuation, cost of healthcare, lack of financial literacy in the population, loss of human capital, and lack of private savings were all mentioned. Issues like housing affordability, child poverty, student debt and climate change, in particular, were not the focus of the conference but were important to participants.

Participant feedback

Overall, the participants were overwhelmingly positive about their experiences during the workshop, with all respondents to the online survey indicating it had exceeded their expectations. Many of them also said the most valuable outcome for them was the opportunity to meet other passionate young people and the connections they made with Treasury and the other speakers.

There was real focus on the task and I am really proud to have participated in the creation of this statement. It was a huge insight to the fiscal situation of New Zealand, of the bad things, but also the good things.

The most valuable part of the workshop was meeting all those amazing people, learning so much I didn't know about fiscal challenges. It really opened up my eyes and sparked an interest in this problem. I have since started saving for my retirement.

In particular, the feedback showed that many of the participants valued their increased understanding of the ageing population problem and the fiscal challenges this country faces in future. One participant described it as a 'massive wake-up call'. The majority of the participants indicated they had found their fiscal education prior to university inadequate, and almost all also said that they thought the lack of financial literacy was a problem in New Zealand.

Their main criticism of the workshop was the time constraints. However, it was acknowledged that their task was ambitious, with one participant commenting that they felt they would have run out of time no matter how much they had been given. Another concern expressed was that there should have been more clarity around what the final product was expected to look like, and who the intended audience was.

³ 'Black swan' is a term coined by Nassim Nicolas Taleb, author of *The Black Swan* and *Antifragile*, to refer to events with the following characteristics: rarity, extreme impact, and retrospective (though not prospective) predictability.

Participants also said that their experience with *LongTermNZ* had motivated them to continue their involvement and exploration of the issues discussed. They remain genuinely interested.

The 2012 Youth Statement

The *2012 Youth Statement* shows that not only do young people want to understand and discuss long-term fiscal management; they also want to have their voices heard.

The final document represents the collective view of all 27 participants as much as possible. After the workshop the participants were given the opportunity to provide feedback on each section; this feedback was then incorporated by the interns into the final edit.

The following key messages were agreed upon as a group:

1. Youth need to participate in the debate: we will inherit the consequences of today's decisions and we cannot afford not to care. Online voting and online platforms can engage young people at a time when traditional media cannot be relied upon to host important debates concerning the future for young people.
2. We have the opportunity to act early: unlike some countries struggling under heavy debt burdens, we have a window of opportunity in which to respond pre-emptively to demographic changes and rising health costs.
3. Building consensus around hard decisions is important: young people are willing to make trade-offs which recognise that the system must develop with changing demographics and rising health costs. Generations need to work together on this issue.
4. Other areas of spending remain important: although spending may be fiscally constrained, the future we want requires active investment in smart long-term options – like a low-carbon economy, lower imprisonment rates, and decreased child poverty. These options are often cost-effective in the big picture and over the long-term.
5. There is no silver bullet, but we do have solutions and choices: we should not rule anything out. As the examples in this statement have shown, trade-offs are inherent in all policy options, but everything should be on the table in looking forward to the next forty years.

The strength of these key messages is that they build a solid platform for the participants, and the Treasury, to continue this conversation. During the workshop there was some discussion around making the final product more directive, recommending specific policy changes and ideas for the government. However, the final document is far more open and non-prescriptive, acknowledging Dr Patrick Nolan's assertion that no options should be left off the table.

The Way Forward

Wendy McGuinness

Forty years from now, the *LongTermNZ* participants will be approaching retirement. The issues discussed at *Affording Our Future* and those that permeate the *2012 Youth Statement* are ultimately about intergenerational equity. Young New Zealanders rely on policymakers to make decisions that take this into account: managing challenges, minimising risk, and ensuring our long-term fiscal position is robust. Decisions made today will affect younger generations the most. Therefore, what they think matters.

Although the workshop was primarily about the opinions of youth, inevitably it affected and solidified my own thinking on the issues and some broader points relating to the place of young people in New Zealand.

High-level observations

It is clear that New Zealand needs to cultivate more opportunities for youth to engage with important national conversations. Ultimately, these conversations are about what kind of country we want to leave for future generations and, as inherent stakeholders in that future, young people must form an integral part of the debate. If we want to achieve Sir Paul Callaghan's vision of making New Zealand 'a place where talent wants to live', we must make public debate open and inclusive. The Institute is well-positioned to facilitate opportunities for these kinds of discussions and we are committed to continuing our engagement workstream.

Over the last few years we have worked with a lot of young people who have expressed a strong commitment to New Zealand. We talk a lot about the 'brain drain' in New Zealand, and even Sir Paul's 'a place where talent wants to live' is intimately connected to this fear that we are particularly vulnerable to losing talent abroad. However, as Sam Morgan noted, rather than a 'brain drain' we should be more open to celebrating a 'brain exchange'. When we surveyed the participants during the December workshop, 89 per cent said they planned on leaving New Zealand within the next five years, but of those, 82 per cent said they intended to come back. Sending our young people overseas to immerse themselves in new experiences and new ideas is not only deeply embedded in our culture, but also enormously valuable in fostering a talent-based economy in New Zealand supported by a strong global network. We need to make New Zealand a place where talent wants to come home to.

Young people are more engaged than we give them credit for. Arguably, electoral turnout is not an accurate measure of youth participation. The capacity for youth to engage has been increased immeasurably by the rise of new media and communication technologies, and there are many young people making the most of these new opportunities. Generation Zero and JustSpeak are examples of passionate groups of young people organising themselves around a particular issue and having a significant impact on national debate. In both cases these are explicitly groups of young people, recognising that youth have collective interests and an important stake in the future. Colin James used Generation Zero and JustSpeak as examples of the power of youth lobbying, and I was particularly interested by his argument that there exists significant potential for a strong youth network to lobby for long-term thinking in New Zealand. The power of young people talking to each other, he said, should not be underestimated.

The sessions with Colin James and Chris Laidlaw both raised an important point. In dealing with big, complex issues like fiscal sustainability, it is absolutely vital that public and private pillars work together. However, there is a third pillar, the media, which also has enormous power over the framing of these

discussions. New Zealanders need to understand that this is a conversation about trade-offs. The fact that much of the material covered at the *Affording Our Future* conference was so new to the participants highlights the current absence of this debate from the general public consciousness. When asked about the role of the media in this debate, both Colin and Chris dismissed the potential for the mainstream media to play a meaningful role. This disillusionment is widespread in New Zealand, and will need to be addressed to ensure these important national conversations reach all corners of the country.

As the *LongTermNZ* group noted in their presentation to the Treasury in April, there is a fundamental difference between being apathetic and being uninformed. As with the *EmpowerNZ* group, the answer for these participants largely lay in the education system. They all agreed that part of the reason New Zealanders could not participate in a discussion about long-term fiscal sustainability, and the reason their peers would not be interested in the *Affording Our Future* document, is that our education system does not provide the language and the tools for engaging in this conversation.

There is a difference between financial literacy and fiscal literacy. Many of the participants had stories of initiatives in their schools aimed at improving understanding of personal financial management – financial literacy. What was missing was fiscal literacy – an understanding of public finance, government revenue and expenditure, and the inherent trade-offs associated with fiscal policy. Fiscal literacy is an issue of civics education, and more emphasis needs to be put on understanding how government works, how it manages money, and how it manages priorities and compromises.

As a consequence, in the Institute’s submission to the constitutional review in July 2013, we included a recommendation on civics education. Specifically, we recommended that the New Zealand Curriculum include a learning objective specifically related to fiscal literacy:

Recommendation 28: The New Zealand Curriculum: the Curriculum needs to include more detailed objectives around civics education. These could include:

- a. understanding what a constitution is;
- b. understanding the roles of the judiciary, the legislature and the executive branch of government;
- c. understanding the current role of the Treaty of Waitangi;
- d. understanding what the New Zealand Bill of Rights Act 1990 is;
- e. understanding how the democratic process operates in New Zealand; and
- f. **understanding the role of Treasury, in particular the purpose of the Budget and New Zealand's statements on long-term fiscal position.**⁴ [Bold added]

Finally, my key observation out of this process is that the fiscal challenges facing New Zealand as a consequence of demographic change are too big to be dealt with in the political sphere. The system simply is not designed to address these complex long-term issues. The three-year electoral term is one barrier to long-term thinking, however it could be argued that a four-year term would be no different. This is an issue that will require bold leadership from political leaders, political parties and from within the public sector.

⁴ McGuinness Institute (2013). *Ensuring Our Constitution Is Fit for Purpose*. Submission to the Constitutional Advisory Panel, pp. 39–40. Retrieved August 30, 2013 from: <http://mcguinnessinstitute.org/Site/Publications/Submissions.aspx>

As Dr Nolan emphasised, if we are to have an open and informed debate about fiscal sustainability, we cannot leave any options off the table. We cannot commit to old models that no longer work; we need leaders to think creatively and present new models that will work for the future.

The statements on New Zealand's long-term fiscal position are apolitical documents and consequently are an incredibly useful instrument for embedding long-term thinking in an important public institution. There should be more documents like this; for example, the Ministry of Education could produce a statement on the long-term challenges facing New Zealand's education system, and the Ministry of Health could produce one on the health system. These documents could build on each other, forming a clear narrative across the state sector about where our weaknesses and strengths lie as a nation in the long term.

The Treasury's *Higher Living Standards Framework* is also a useful instrument for promoting integrated policy development. This framework should be extended across the public sector, feeding into a more cohesive and interconnected narrative.

The key message I took away from the *Affording Our Future* conference and the conversations at the *LongTermNZ* workshop was that there are no clear answers. We must encourage creative, transparent, integrated thinking and consider all options. As we move forward, we will need to make some tough decisions. It is important that young people are a central consideration of these decisions, and it is vital that their voices are heard.

Lessons learnt

As with our previous workshops – *StrategyNZ* and *EmpowerNZ* – from the outset we viewed *LongTermNZ* as an experiment. The experience of coordinating and facilitating two larger workshops was immensely useful for our staff, and hopefully improved the experience for the participants.

With *LongTermNZ* we observed that the smaller group-size worked more effectively to produce one product. We also observed that allowing time for revision and editing after the intense initial workshop period was useful as it meant that the final product was more cohesive and the participants felt confident in the document. Once again the design team proved enormously valuable to the process, and we remain committed to including designers from the beginning of these workshops. Their communication skills are invaluable, and exposing participants to the discipline of design is important.

Each of these workshops has been prescriptive to an extent – participants at *StrategyNZ* were asked to produce strategy maps; participants at *EmpowerNZ* were asked to produce a draft constitution, and participants at *LongTermNZ* were asked to produce a draft youth statement on New Zealand's long-term fiscal position. However, beyond this we aim to provide a non-prescriptive, responsive environment that encourages flexibility and openness to form and function. In order to ensure a fair outcome, the process model needs to develop naturally – it can be detrimental if facilitators are too influential over the discussions and conclusions. The purpose of the workshop is largely defeated if we cannot gain an organic youth perspective.

An ongoing difficulty for us in this respect is that participants often express a desire for more clarity and concrete objectives. During *LongTermNZ*, participants would ask questions about what the statement should look like, what it would say, and if they could make specific policy recommendations. To respond by saying 'You can make the statement whatever you want it to be' seemed to be an unsatisfying response. Striking the right balance between freedom and clarity over purpose has proved challenging.

Ultimately, this is an issue of communication, and with each workshop our ability to communicate the parameters of the intended product and the scope within that for responsiveness will improve.

‘Pay it forward’

With both *EmpowerNZ* and *LongTermNZ* we asked participants to commit to ‘pay it forward’ by completing 10 hours of voluntary service over the following 18 months. Ideally, but not exclusively, the work would be in a capacity relevant to the outcomes of the workshop; for example, doing community work, environmental work, or sharing their experiences at their universities.

In both cases, a key aim for the workshops was to create a strong group of youth ambassadors, who could increase knowledge and understanding of important national debates through their youth networks. The voluntary hours were a way of encouraging this and also, from our perspective, an investment in New Zealand more broadly.

The next steps

The Institute remains committed to creating spaces for youth engagement. Following the *LongTermNZ* workshop we announced a scholarship programme designed to connect young people with experts in relevant fields. This programme allows the scholar to work on a short project or working paper for publication. Two of our 2013 scholars were participants at *LongTermNZ*: Ashleigh Cox and Darren Zhang. Ashleigh was the *Jan Lee Martin Science Meets Humanities Scholarship* recipient, and she has been working on a scoping project that aims to determine whether further research into the application of Dr John Volpe’s GAPI model to other sources of protein is viable. Darren Zhang is one of two recipients of the *Sir Paul Callaghan Science Meets Humanities Scholarship*. Darren worked with fellow recipient Charlotte Greenfield (an *EmpowerNZ* participant) and John Trail, Head of Sales and Marketing at Wellington-based advanced technology company Magritek, on a project entitled *TalentNZ: Creating a place where talent wants to live*. During this project Darren and Charlotte interviewed 30 prominent New Zealanders, exploring how New Zealand could implement Sir Paul’s vision of making New Zealand a ‘place where talent wants to live’. The output of this project was the launch of the *TalentNZ Journal* and a website in November 2013. We hope it will provide inspiration for young people and impetus for further discussion around New Zealand about how we can put Sir Paul’s vision of creating a place talent-based economy into operation.

In July 2013, the Institute reconvened a group of participants from *EmpowerNZ* to write a youth submission to the Constitutional Advisory Panel. The reconvening of the *LongTermNZ* group in April showed us how productive these events can be as participants are already familiar with the subject matter and each other. As discussed above, a common theme that emerged from *EmpowerNZ* and *LongTermNZ* was the inadequacy of civics education in New Zealand.

Final reflections

Once again I was incredibly impressed by the calibre of the students who participated in this workshop. They consistently asked considered and intelligent questions of speakers and guests and ultimately delivered a fantastic product, which has made a meaningful contribution to an important debate.

I must pay a special thank you to our ‘roaming experts’ at the workshop: Becky Prebble, Neil Cribbens and Andrew Gawith. They made themselves available to the participants to ask questions, they listened and, rather than expressing their own opinions, they explained issues thoroughly and challenged the participants to think about things in a different way.

It was an absolute pleasure to work with the Treasury and Victoria University of Wellington and we are extremely grateful for their support and commitment to engaging with this group.

Sustainable development is about ensuring we can meet the needs of the present without compromising the potential of future generations to do the same. The conversation being held by governments around the world about how to achieve fiscal sustainability is a conversation that absolutely concerns youth. Having 27 young people in the room at the *Affording Our Future* conference was important – their voices need to be heard in this debate, and we hope that their presence instilled a sense of urgency in the decisionmakers. The opportunity to act early is fast disappearing.

Acknowledgements

Supporters

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Affording Our Future speakers: Omar Aziz, Geoff Bascand, Professor Michael Belgrave, Professor Bob Buckle, Dr Andrew Coleman, Diana Crossan, Sir Michael Cullen, Professor Chris Cunningham, Professor Norman Gemmell, Professor Ross Guest, Colin James, Dr Girol Karacaoglu, Gabriel Makhoul, Professor Nick Mays, Dr Patrick Nolan, Dr Susan St John, Rt Hon. Simon Upton.

Workshop speakers: Neil Cribbens, Hon. Bill English, Andrew Gawith, Paul Goldsmith, Colin James, Chris Laidlaw, Mark McGuinness, Bill Moran, Sam Morgan, Dr Patrick Nolan, Becky Prebble, Dr John Volpe.

Participants

Ben Abraham, Jason Armishaw, Emma Banks, Rachel Boswell, Louis Chambers, Ashleigh Cox, Maria English*, Penny Garty*, John Hughes, Susie Kriebel, Athene Laws, Niki Lomax*, Josie McGuinness*, Michael Moore-Jones, Finn O'Dwyer-Cunliffe, Elye Parata, Leona Plaisier, Elizabeth Prasad, Christopher Read, Asha Rhodes, Karri Shaw, Ella Spittle*, Diana Tam, Julia White, Amy Wood, Paul Young and Darren Zhang.

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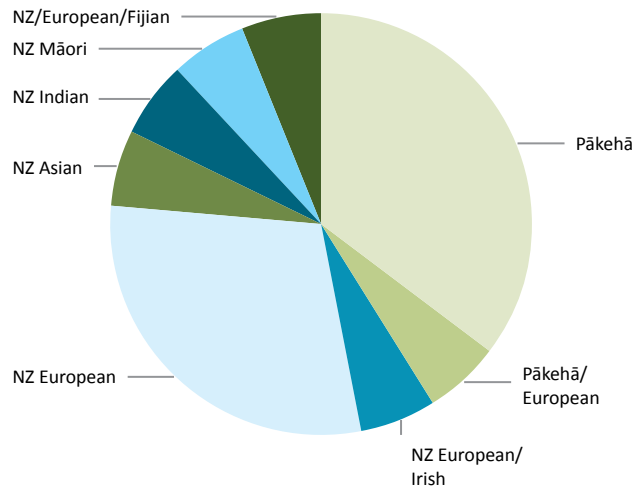
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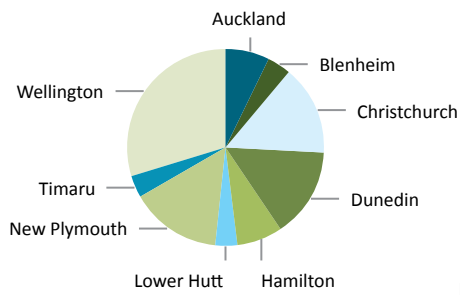
Appendix 1 | Participant Statistics

Demographics

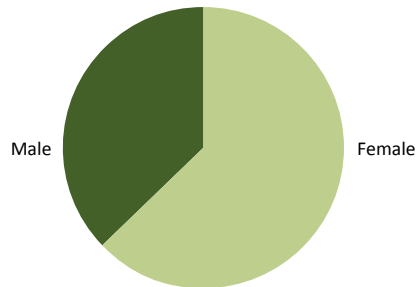
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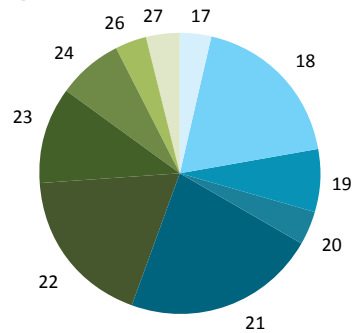
Hometown



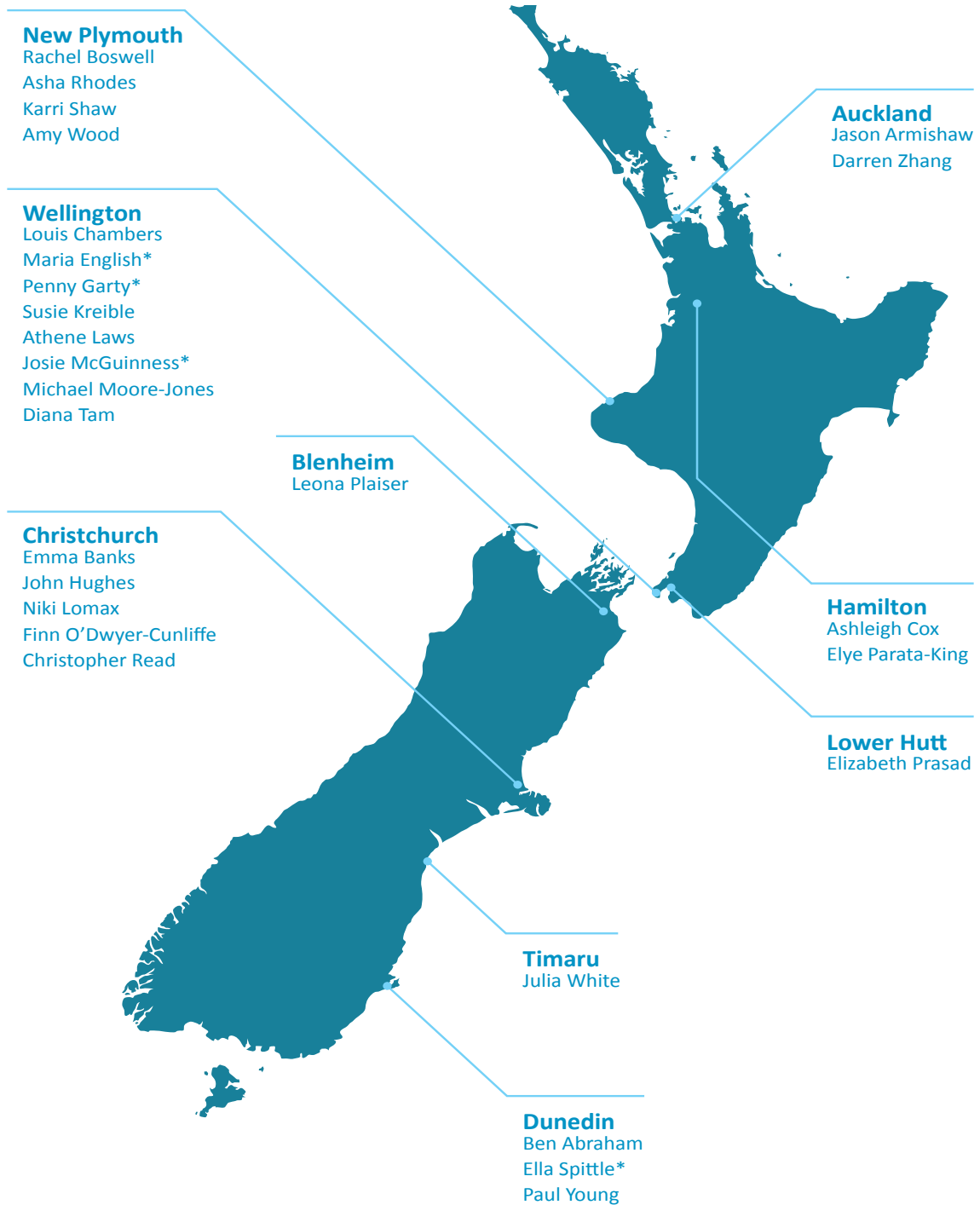
Gender



Age



Hometown of participants



*Summer intern at the Institute

Appendix 2 | *Affording Our Future* conference notes

Conference Session One: Fiscal frameworks and projections

Speakers

Professor Bob Buckle: The requirements for long-run fiscal sustainability

Robert Buckle is Pro Vice-Chancellor and Dean of the Victoria Business School at Victoria University of Wellington. He has over 35 years' experience as an economist in business, public policy and academia.

Geoff Bascand: Planning for the future

Geoff Bascand became Government Statistician and Chief Executive of Statistics New Zealand in 2007. He was previously the Deputy Government Statistician responsible for macroeconomic, environment, regional and geography statistics.

Dr Girol Karacaoglu: How does the Treasury's long-term fiscal model work, and what is our initial analysis showing?

Girol Karacaoglu is Deputy Secretary of Macroeconomics, and International and Economic Research, and Chief Economist at the New Zealand Treasury.

Key Messages

'New Zealand's population is ageing. This is the result of people having healthier lives,' commented Professor Bob Buckle, who also explained the importance of fiscal sustainability in this context.

'The phrase "fiscal sustainability" refers to the government's ability to continue to provide the range of public services that are currently offered without incurring excessive debt. Population ageing changes the cost to government of providing superannuation support and a range of other social services. Without change to fiscal policy this could lead to pressure on the level of public debt. To avoid this, governments must decide on whether it should reduce the level and range of public services or increase taxes, and when to do this.'

Geoff Bascand noted that there is a need for growth in productivity, since this is crucial to improving living standards. He also warned that projections are based on the assumption of unchanged government policies – they are not forecasts – something that the workshop participants needed to keep in mind.

Dr Girol Karacaoglu reminded the group that there were many policy options facing us, and that we needed to remember that trade-offs will be necessary. This was something the participants really tried to apply when creating their *2012 Youth Statement*.

Conference Session Two: The context for our choices

Speakers

Professor Chris Cunningham: Aotearoa's long-term fiscal position

Chris Cunningham, of Ngati Toa and Ngati Raukawa tribes, is a Professor of Māori Health and Director of the Research Centre for Māori Health & Development at Massey University's Wellington campus.

Omar Aziz: The distributional impact of population ageing

Omar Aziz is a senior analyst in the Tax Strategy section of the New Zealand Treasury. He currently works on research and policy issues across taxation, welfare, income distribution, poverty and population ageing.

Professor Ross Guest: Population ageing, productivity, and policies: a survey with implications for New Zealand

Ross Guest is Professor of Economics in the Griffith Business School, Adjunct Professor with the Australia and New Zealand School of Government (ANZSOG), and a National Senior Teaching Fellow with the Australian Government Office of Learning and Teaching.

Key Messages

Professor Chris Cunningham spoke about long-term fiscal planning issues relating to Māori. As a group, Māori are demographically distinctive: they have shorter life expectancies than Pākehā, higher fertility rates, are more likely to start families at younger ages and have larger households. Māori are not only increasingly diverse but also eclectic in their cultural views. Professor Cunningham also talked about how in te reo the word 'Māori' means 'ordinary'; Māori ways of knowing and being are 'normal', not 'alternative'. There is no universal solution for Māori – we need parallel, not separate, development.

Omar Aziz discussed the distributional impact of population ageing. He noted that any policy aimed at closing the fiscal gap would have distribution consequences for intragenerational and intergenerational inequality: short and sharp changes heavily affect intragenerational distribution, whereas gradual changes affect intergenerational distribution more strongly. Mr Aziz emphasised that with such major value judgements to be made, agreement would require considerable public debate.

Professor Ross Guest highlighted the fact that economic models typically assume that old and young workers are perfect substitutes, when in reality they are more complementary. He also argued that the potential impact of population ageing on labour productivity is critical for wellbeing, but there is much uncertainty about the size and direction of this impact. Participants were encouraged to question the assumptions underlying projections.

Conference Session Three: Population ageing and the role of the state

Speakers

Professor Michael Belgrave: Social policy history: forty years on, forty years back

Michael Belgrave is an historian who teaches social policy, public policy and Māori studies at Massey University. He publishes and researches the history of social policy, customary law, Treaty of Waitangi claims, health history and social service development.

Dr Patrick Nolan: Entitlement reform

Patrick Nolan is Reform's Chief Economist. Reform is an independent, non-partisan think tank in the UK, specialising in public service and economic reform.⁵

Key Messages

Professor Michael Belgrave asked participants to consider how an understanding of the past can contribute to foresight and long-term planning. He talked about the development of social policy in New Zealand and the shifts in social expectations over time. His presentation highlighted the challenge in making assumptions and predictions about the future, when taking into account the unpredictability of events, crises, and shifts in society.

Dr Patrick Nolan opened with a statement that resonated with everyone at the workshop – that 40 years from now we will be 'old and broke'. He commented that because people think it is their moral right to receive superannuation, it is difficult to change it. While raising the retirement age would not be a radical policy – lots of countries are doing this – the path forward is politically difficult. Dr Nolan pointed out that the private pillar of retirement welfare is just as important as the public pillar. He also introduced to participants the concept of decumulation – or the release of accumulated equity, such as assets – to fund retirement.

⁵ Dr Patrick Nolan has recently returned to New Zealand to take a position at the Productivity Commission of New Zealand.

Conference Session Four: Tax

Speakers

Professor Norman Gemmell: Can tax rises pay for the public spending effects of ageing?

Norman Gemmell is the first Chair in Public Finance at Victoria University of Wellington, having previously been Chief Economist and Principal Advisor at the New Zealand Treasury, and an Assistant Director of the UK Inland Revenue's Analysis & Research Department.

Key Messages

During his presentation, Professor Norman Gemmell discussed various options that exist within the tax system to increase government revenue, which could be used to help pay for the cost of an ageing population. These include raising personal income tax rates, allowing taxpayers to enter higher tax brackets as the economy grows, and raising GST, although, as Professor Gemmell's graphs showed, the latter would not make a substantial difference.

Professor Gemmell commented that the current New Zealand superannuation scheme will not necessarily be unaffordable in the future, but spending trade-offs are likely to be necessary, overall debt and spending will have to be constrained, and society may have to be willing to accept rises in average tax rates.

Conference Session Five: Retirement income policy

Speakers

Diana Crossan: The sustainability of New Zealand's retirement income framework

Diana Crossan is the former Retirement Commissioner at the Commission for Financial Literacy and Retirement Income. She is currently chief executive of Wellington Free Ambulance.

Dr Susan St John: Fiscal sustainability in an ageing population: adapting universal provision

Susan St John is an Associate Professor of Economics at the University of Auckland. She has been involved in public-policy issues in family tax, social security and superannuation both in New Zealand and internationally since the 1980s.

Dr Andrew Coleman: Intergenerational equity and public policy

Andrew Coleman is a Principal Analyst at the Treasury and a Senior Lecturer in Economics at the University of Otago. His fields of interest include saving, taxation, and the operation of North American futures and financial markets in the 19th century.

Key Messages

Diana Crossan described universal superannuation as a 'national treasure'. However, she pointed out that she encouraged private savings, which she considered to be a lifestyle supplement, to be added to the basic income needed to prevent poverty. She described fairness as our most fundamental value, saying that we must consider intergenerational inequity. She acknowledged housing affordability and financial literacy as retirement issues, which the participants also recognised.

Dr Susan St John described means-testing for superannuation as a 'no-go black hole', as there is huge support for universal superannuation. However, current arrangements raise important intergenerational concerns. Dr St John discussed different kinds of means tests, with particular reference to the Australian situation. She explained how removing New Zealand Superannuation from the very top end of the distribution while not affecting the bulk of superannuitants who are not well off could be done through the tax system. This may be much fairer than relying solely on raising the age of superannuitants to reduce costs.

Dr Andrew Coleman raised the idea of a 'pay as you go system' (PAYGO), where the younger generation pays for the generation in retirement, versus a 'save as you go system' (SAYGO) where each generation saves for its own retirement. In the past there has been a net transfer to future generations; now, our decisions impose costs on future generations. Dr Coleman pointed out that there is an opportunity cost whenever someone is taxed: they are prevented from investing or saving that money and thus earning more. The idea that current generations are borrowing from future generations, whose economic security is in no way guaranteed, was troubling for many of the participants.

Conference Session Six: Health policy

Speakers

Professor Nick Mays: Reorienting the New Zealand healthcare system to meet the challenge of long-term conditions in a fiscally constrained environment

Nicholas Mays is Professor of Health Policy in the Department of Health Services Research and Policy at the London School of Hygiene and Tropical Medicine, where he has worked since 2003.

Key Messages

Professor Nick Mays asserted that the rising cost of healthcare was an important issue. His session was particularly interesting for the participants, after their pizza night discussions about the future of hospitals. Professor Mays commented that there is a need to focus on improvements in efficiency to offset necessary increases in labour costs in the health sector, adding that our health system needs to focus on overall wellbeing. He also noted that the most important indicator in healthcare spending is proximity to death, rather than age.

Most of the workshop participants were not aware that long-term care is differentiated from general healthcare – an ageing population affects spending on long-term care much more than spending on general healthcare. Professor Mays pointed out that investing in care for people with chronic health conditions will reduce hospital costs for those people in the end years of their life. It is necessary to rethink the administration of long-term care, with a move toward self-management, and changes at every level of the system.

Conference Session Seven: The process for change

Speakers

Colin James assisted by Jess Booker: Making big decisions for the future

Colin James is a political journalist of nearly 40 years who has given papers at conferences, seminars and symposiums in seven countries and has written six books. He writes regular columns for the *Otago Daily Times* and *Management* magazine.

Key Messages

Colin James made the point that there will almost certainly be major unpredictable disruptive shocks at some point in the next 40 years and that we need to build resilience so that we are able to withstand them; we can't predict the future, but we can prepare. Parliament is necessary, but is it sufficient? To achieve durable policy changes there has to be public buy-in. Political leadership drives change, but leadership alone fails if it is not matched with values and attitudinal change.

Colin James also noted that New Zealand has at times in the past been innovative in policy. He suggested that there is a possibility here for a national convention or a citizens' assembly to make representative decisions for the country. The difference between the two is that attendees of a national convention are chosen by politicians, while a citizens' assembly is a gathering of randomly selected citizens who are then educated on an issue so that they become knowledgeable about it.

This session also included a 'Generation Y' perspective from Jess Booker. The participants really enjoyed her presentation as it was the first time a youth perspective had been offered. She reiterated the fact that Generation Y will be expected to bear the large burden of future costs, so they need to be included in current debates and decisions. She also noted that social media present an exciting opportunity for engagement.

Jess commented that today's youth are forced to pay for other people's retirement as well as saving for their own through KiwiSaver. Tertiary education is no longer a guarantee of employment, and graduates leave university with huge student loans. Most home-owners in this generation have needed financial assistance from their parents. These generational inequalities are all entrenched. Jess emphasised the need for urgency – we have waited long enough to act, and young people are not currently part of the decisions.

To see a short video of Jess Booker on the 'Generation Y' perspective visit our YouTube channel via www.mcguinnessinstitute.org.

Conference Session Eight: Political economy perspectives

Speakers

Sir Michael Cullen: *The political economy of long-term fiscal planning from a social democratic perspective*

Sir Michael Cullen has had a political career spanning more than 27 years, and served as Deputy Prime Minister from 2002-2008. He held a wide range of portfolios including Minister of Finance, Minister of Social Welfare, Minister of Revenue, Minister of Tertiary Education, and Minister in charge of Treaty of Waitangi Negotiations.

Rt Hon. Simon Upton: *Long-term fiscal risks: New Zealand's case in the context of OECD countries*

Simon Upton was appointed to lead the Environment Directorate at the OECD in 2010. He is a former New Zealand Parliamentarian whose political career, between 1981 and 2000, included nine years as a Minister. His portfolios included Environment, Research, Biosecurity, Health and State Services.

Key Messages

Sir Michael Cullen opened by directly addressing the workshop participants, asking how many of them expected to receive universal superannuation later in life – the majority of the participants did not raise their hands. Dr Cullen said young people need to be convinced that they will receive New Zealand Super when they reach retirement. Politicians seem to be taking the view ‘Don’t do today what you can put off until tomorrow.’ He pointed out that demographic transition causes an electoral transition, as an ageing population means older generations will have more political influence. It is necessary to have effective communication across all generations of society, and to engage and consult with the wider community. Policies that stick are often those that go through massive public debate, with those who initially oppose them later becoming convinced.

The Rt Hon. Simon Upton said low debt levels are essential if the government is to maintain ‘fire power’, and commented that returning to fiscal balance is best done proactively, not reactively. Migration cannot change demographics, and encouraging migration is not the answer as migrants age and have expectations too. The in-flow of highly skilled migrants matched the out-flow of highly skilled New Zealanders for the moment, but this could not be relied upon to continue in a world in which there was increasing competition for skills.

Simon Upton also asked the question ‘Can we trust future projections which assume benign conditions in the physical world?’ adding that we must consider the cost of environmental damage. He was the first speaker to address the potential fiscal implications of climate change, which was a point of particular interest for many of the participants.

Conference Session Nine: A view from the Treasury with Dr Girol Karacaoglu

Key Messages

Dr Girol Karacaoglu echoed the message that there needs to be effective communication with all members of society, and that we must engage and consult with a wider group of people. Social cohesion is important.

Dr Karacaoglu also commented that rising health costs are often underplayed in fiscal planning, whereas retirement costs are overplayed. He said we must also consider the student-loan problem, housing affordability and child poverty, which are all issues that resonated with participants. Dr Karacaoglu noted that we have the opportunity to redesign retirement policies, but in doing this it is critical that we consider the values and culture of New Zealand – fairness should be the platform for any policy changes.

Conference Session Ten: Summing up

This session was lead by Professor Bob Buckle and concluded the second day of the *Affording Our Future* conference.