

Tax Working Group Public Submissions Information Release

Release Document

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Submission to the NZ Tax Working Group

[Co-operative Capitalism](#)

The New Zealand developed concept 'Co-operative Capitalism' merges the benefits of capitalism, free enterprise and wealth creation, with the productivity and social benefits existing in co-operative culture enterprises.

The concept draws on motivational research findings, socially beneficial frameworks and the practical experience of New Zealand companies.

The supporting motivational and social research findings are detailed in the 'In Depth Proposal document' of the website www.co-operativecapitalism.com.

The above website was created in April 2016, and has percolated from internet search engine obscurity to be the first returned search item on 'co-operative capitalism' on all (excluding Yahoo) the popular internet search engines for the past 9 months. Curiously a surprisingly high number of internet sessions from Russia (yandex.ru) amongst sessions from over 40 countries during this time.

[Air New Zealand Company](#)

In 2001 the possibility of Singapore Airlines taking a 49% shareholding in Air New Zealand was avoided by the actions of the NZ Labour Party to rescue our national airline from bankruptcy.

Having successfully navigated the first year (2001) following the impending bankruptcy the Board, under the Chairmanship of John Palmer, decided to give all staff a bonus of \$500. We do not know if this was a suggestion of the then Minister of Labour, Margaret Wilson, or whether it was an initiative of the Board. Regardless, and to the Board and senior managements credit, it has been the forerunner of possibly nine occasions when the Air New Zealand company has given an equitable distribution of bonus to all employees not currently on an incentive scheme. Last year those employees received \$1700.

No one can doubt the simply outstanding performance of Air New Zealand, from our own small domestic market, against tough international competition, since those times of imminent bankruptcy.

It would be revealing to measure the financial and social benefit of the co-operative culture that has become a feature of the company's operations. It is very interesting to note that the Board and executives of the Auckland Airport company is now also giving an equitable distribution of bonus to all employees.

Politicians have told us that there is no possibility of tax cuts before 2020. This [co-operative capitalism](#) concept proposes a 15% tax rate on the equitable distribution of bonus for all employees. It is suggested that this be called a Kotahi Payment - Kotahi meaning 'co-operating together as one' in Maori.

This fixed 15% tax rate will be on the equitable distribution of bonus for **ALL** employees, RECORDED SEPARATELY from PAYE on tax returns, and is part of a vision for an inclusive co-operative New Zealand.

This tax innovation, facilitating a co-operative workplace culture, is constructive rather than punitive.

The government has been the recipient of healthy growing dividends from their shareholding in Air New Zealand, and therefore, why not encourage that management style in other businesses.

No better way to encourage that management style than to cater for a fixed low tax rate (regardless of employees current PAYE rate) on the annual equitable bonus for **ALL** employees on Kotahi payments. (Mahi Tahi payments, Team NZ payments, Co-operating payments - whatever they are to be called).

Kotahi payments (for ALL employees) are not individual performance bonuses; they are a co-operative culture common bond – the cement that binds the co-operative team together.

Performance related remuneration will be reflected in an employee's contracted or baseline remuneration, although exceptional specific bonuses, e.g. sales, may coexist along with Kotahi payments.

Following Air New Zealand's management lead a NZ government can be the first to implement the low tax innovation and thereby be the catalyst for the growth of co-operative capitalism.

A co-operative culture will see a giant stride forward in workplace productivity and profitability. - management wins, employees win, investors win and government wins.

I have reflected on why I have attempted to promote a tax innovation that provides a framework encouraging a co-operative culture in workplaces? The website www.co-operativecapitalism.com includes guidelines on implementation but also outlines the numerous social and productivity benefits. Additionally when I first arrived in New Zealand in the sixties, the social fabric of the country had more of an egalitarian quality and that was reflected in the character and spirits of New Zealanders.

This egalitarian quality, much admired – even envied – by other countries, has been eroded as a result of successive government policies over the last 30 years.

Government support for a tax innovation encouraging Kotahi payments, will play a part in redressing that loss of a national, inclusive social and economic aspiration.

As a national framework for progressive management teams, Kotahi Payments have the double attribute of improving both workplace productivity and social cohesion and are an opportunity to recover a valuable part of our heritage. All this at no risk to the tax revenue or business profit.

I believe that improved social cohesion will have an indirect positive effect on individual's health and ultimately, in a small way, maybe even the national health budget.

A background observation when formulating this simple concept is that New Zealanders have shown that they equal, if not surpass, any nation when they are part of a 'teamwork' approach or collective effort.

This characteristic is demonstrated in sporting endeavours, in hosting international events, in producing opening ceremonies, in national charity appeals and in community endeavours. Furthermore some of New Zealand's more significant industries do have a co-operative basis. Therefore why not build on this national trait in our workplaces?

Arranging for this simple innovation as part of the national remuneration tax framework needs enlightened politicians willing to break out from traditional capitalist thinking and encourage co-operative culture workplaces.

Progressive management teams taking advantage of this option will realise both the productivity and social benefits.

As the Kotahi payment concept becomes part of 'the New Zealand way' we will see a more robust growing economy and improved social cohesion.

Just as the Auckland Airport Company is now adopting the lead of Air New Zealand with its own equitable distribution of bonus, so this concept will spread to other businesses. The most capable employees will hitch their careers with the co-operative capitalism enterprises, as they predictably will be the more successful companies.

It would be kudos for New Zealand to become a lead nation for co-operative capitalism and, as has happened before, have an influence beyond our borders.

Far preferable that New Zealand is first off the rank to become more productive, more competitive and more socially cohesive than other countries such as Russia or India.

This concept puts faith in New Zealanders who after all are New Zealand's greatest asset.

This is an example of the marketplace providing innovation by two prominent NZ Corporates, but will the government step up to provide leadership rather than be backward accommodating? At least it can create the framework as an option for progressive managements and let businesses decide on its applicability.

Our country has outstanding natural beauty with widely diverse landscapes. For our small population we punch above our weight in many endeavours.

If a relatively small airline from a small consumer base can outperform airlines from large economies then we, as a country, can follow their progressive management style and lift our productivity, improve social cohesion and be a lead example with influence beyond our borders.

To create this framework as an option for progressive managements is not a major rewrite of our remuneration tax system. It is a refinement with potential outcomes beyond quantifying..

The level of widespread internet interest in this concept implies that there is an appetite internationally for alternatives or refinements to the extent of neoliberal capitalisms evolution.

As Daniel Pink quoted in 'Drive' 'It is an opportunity to reassert our humanity'.

Regards,

Alan Harding

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PS I am surmising that members of the TWG will find the website Blog Post contributions supportive of the concept .