

CTU AND BUSINESS NZ VIEW ON SUPPORT FOR DISPLACED WORKERS

Future of Work Tripartite Forum

23 March 2020



Overview

- Our memo provides a common view of the CTU and Business NZ on support for displaced workers
- We see such support as vital
- Both improved income replacement and active labour market programmes are necessary parts
- On income replacement we support a social insurance model
- We ask the Government to undertake further analysis of such a model and develop effective active labour market programmes

Background

- Substantially improved support for displaced workers vital to prepare for Future of Work.
- Sound evidence that current support has severe outcomes for many workers and one of the weakest in the OECD
- Improved support would also assist productivity by reducing the fear of change
- Income replacement needs to be accompanied by good quality programmes such as
 - *availability of education and training opportunities*
 - *assistance with career planning, job search, job placement, relocation*
 - *quick reaction capability to work with employers and unions when a redundancy situation is notified*

Income replacement

- Criteria for alternatives include:
 - *Available to all, including those who most need it due to job insecurity*
 - *Should not disadvantage any group*
 - *Should not incentivise undesirable layoffs*
 - *Should be portable between employers*
- We therefore do not support schemes based on individual accounts such as broadening the use of KiwiSaver accounts, tax credits, or loan schemes
 - *may disadvantage low income earners such as Māori, Pacific, many women*
 - *may be viable or available only for those with regular income.*
- Individuals are of course free to use such schemes if they wish.

Income replacement

We therefore support a social insurance income model providing income replacement

- at a rate which is a significant improvement on current welfare entitlements, in line with other OECD countries;
- subject to expectations that those receiving it would be actively searching for work, assisted by the support programmes as needed, or in education or training;
- available for a defined period in line with good practice in other OECD countries
 - *sufficient to allow displaced workers a realistic opportunity to find good work that matches their skills and experience;*
 - *followed by access to the support provided by the social welfare system.*
- Tripartite governance of such a scheme would assist in its success.
- Options for funding need exploring. Could be phased in.

Actions

- We propose that the Government should undertake further analysis to
 - *demonstrate how such a scheme would address the known labour market challenges;*
 - *recommend practical measures as to how it can be delivered alongside the existing social welfare system;*
 - *model fiscal and economic costs and benefits of the proposal; and*
 - *describe a pathway for its implementation.*
- Government and social partners should develop Terms of Reference for this analysis
- In parallel there needs to be work on active labour market policies and services.
 - *We would like to participate in current review of such policies and future development.*
 - *Effective policies should be introduced at same time as the social insurance scheme.*