



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi



GROWING PROSPERITY AND POTENTIAL

Memo

To: Future of Work Tripartite Forum members
From: Richard Wagstaff, Kirk Hope
Date: 25 February 2020
Subject: Our view on support for displaced workers
Action Required: For discussion by Ministers and at FoW Tripartite Forum on 23 March 2020

Purpose

This memo sets out those areas in which the New Zealand Council of Trade Unions and Business NZ have a common view on steps that should be taken to improve the support for displaced workers, which is one of the priorities of the Future of Work Tripartite Forum.

Background

Substantially improved support for displaced workers is a vital part of preparing New Zealand for the Future of Work. The evidence is that New Zealand's current support for displaced workers is one of the weakest in the OECD and that it has led to workers experiencing significant and ongoing loss of income (wage scarring) and employment following involuntary loss of their jobs.

Improved support would also be an important step in improving New Zealand's productivity. It helps ensure that workers do not bear the costs of changes firms need to undertake in order to improve their productivity, such as adopting new technology, and when firms go out of business as a result of competitive pressures or the changes needed to combat climate change.

While the focus so far has been on the important issue of income replacement, we are firmly of the view that financial support must be accompanied by good quality active labour market programmes. Such programmes include availability of education and training opportunities for workers to acquire new skills and capabilities, assistance with career planning, job search and job placement, relocation assistance and quick reaction capability to work with employers and unions when a redundancy situation is notified to help workers avoid unemployment.

Income replacement

We support proposals for a "social insurance" type of model to provide income replacement for displaced workers. It should include an income replacement rate that is a significant improvement on current social welfare entitlements and in line with other OECD countries. It would be subject to expectations that those receiving income replacement would be actively searching for work, assisted by the above support programmes as needed, or in education or training. The income replacement would be available for a defined period in line with good practice among other OECD members,

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.

When considering income replacement alternatives, we consider that it is important that they are available to all, particularly those who most need it because of the insecurity of their jobs. The design of schemes should not disadvantage any group, should not incentivise undesirable layoffs and 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) because they may disadvantage low income earners such as Māori, Pacific peoples and many women, and may be viable or available only for those with regular income. Individuals are of course free to use such schemes if they wish.

How such a social insurance scheme fits alongside redundancy payments is a matter for future discussion.

There are a number of options for funding such a social insurance scheme, including by the state, by employers, or on a tripartite basis. Consideration could be given to phasing it in to smooth cost increases, and to consider the phasing alongside changes to the tax system that the Government may be considering. Phasing could include level of support and breadth of coverage.

Actions

We propose that the Government should undertake further analysis to

1. demonstrate how such a scheme would address the known labour market challenges;
2. recommend practical measures as to how it can be delivered alongside the existing social welfare system;
3. model fiscal and economic costs and benefits of the proposal; and
4. describe a pathway for its implementation.

The 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 the current review of such policies and in their future development. Effective policies should be introduced at the same time as the social insurance scheme.



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