

CTU AND BUSINESS NZ VIEW ON SUPPORT FOR DISPLACED WORKERS

Future of Work Tripartite Forum

23 March 2020



NEW ZEALAND COUNCIL OF TRADE UNIONS

Te Kauae Kaimahi



GROWING PROSPERITY AND POTENTIAL

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.*