

ERG Recruitment Group Limited
Submission to the Ministry of Business, Innovation and Employment

Response to the New Zealand Income Insurance Scheme Discussion Document

26 April 2022

ERG welcomes the opportunity to make a submission to the Ministry of Business, Innovation and Employment (MBIE) in response to the New Zealand Income Insurance Scheme Discussion Document (the scheme).

ERG are members of RCSA, the peak body for the recruitment and staffing industry in New Zealand. As such, in addition to our own brief comments below, we also submit our strong support for the verbal and written submissions provided by RCSA to this process.

The evidence is indisputable that with unemployment at 3.2%, a trend toward permanent over non-permanent engagement by businesses, and wages on the rise, New Zealand is experiencing a critical shortage of skills and labour. The proposal of a “New Zealand Income Insurance Scheme” in this very challenging employment market the additional levies will put significant pressure on businesses already struggling with access to labour and increasing wage costs.

We have several major concerns with the scheme in its current form and in particularly the way in which it relates to casual and fixed term employees. There are, perhaps unintentionally or ill-considered, consequences of how the scheme might apply to non-permanent forms of work which we believe is something that will require more investigation and evaluation as a priority before the concept makes further progress.

Casual employment does not belong in the Income Insurance Scheme. Individuals who are hired on a casual basis are used to fill intermittent and irregular gaps in the workforce including seasonal fluctuations. They have no guaranteed hours of work, no regular pattern of work and no ongoing expectation of employment which these employees are fully aware of when undertaking this form of employment. Casual employees are able to accept or reject work offered by their employer, and able to enter employment agreements with other employers if they choose. In signing a casual employment agreement, an individual acknowledges that their employment is likely to cease to exist after a certain period. It is this awareness, and in fact the absence of it, that redundancy payments and income insurance seek to compensate permanent employees for.

For many employees, casual employment, which has been in existence for decades, is a preference as there are many benefits for them in these arrangements. These employees have discretion over how long the arrangement will continue and, in many cases, provides them with the opportunity to not only earn income but to learn more skills, try new career paths, and to ascertain if the employers work culture fits with their own values. Casual employees have the personal choice to discontinue the arrangement at short notice when they find or are offered permanent employment. Any discouragement for firms to employ casuals for whatever reason will undoubtedly impact on the employability of many individuals who are actively trying to upskill and improve their income earning potential and employability prospects.

For the same reasons, the scheme should not apply to individuals engaged on fixed-term contracts, which contain a clear date of termination of agreement. Fixed-term employees are engaged to fill

workforce gaps, such as maternity leave, or to carry out projects that have a clear start and end date. As with Casual Employees for many Fixed-term employees, this is a preference. A good example would be the many New Zealanders who specialise in IT and software development, where there is a critical need for skills. Fixed-term contracts offer higher wages and more diverse work opportunities.

Not bound to a single employer provides substantial benefits through flexibility for fixed-term workers. They can also arrange contracts to suit their needs, either doing multiple at one time, moving straight from one to another, or taking holidays and breaks when they need to. Ultimately, they will take on a contract when it works for them. They are also able to leverage different contracts against each other to negotiate higher earnings. The inclusion of on-hired fixed-term employees in a scheme designed to protect people for adverse events beyond their control ignores the amount of notice and control that fixed-term employees are given within their contract and accordingly will undoubtedly inhibit their ability to negotiate terms which are suitable to them.

An especially concerning concept within the scheme is the use of the term 'good jobs' when it comes to obligations to accept certain types of employment. The concept of a 'good job' is highly subjective and seeks to unjustly label jobs as either 'good' or 'bad' based on an individual and undefined set of parameters. The use of the term 'good job' contributes to job-shaming and should be avoided by government of all persuasions. A 'good job' is what an individual determines is right for them, and their life choices.

We believe the term 'good jobs' should be removed if the scheme truly seeks to avoid people remaining unemployed and disconnected from work. Attempting to define 'good jobs' as those that can provide similar pay and conditions is problematic, not least because of the detachment such a definition has from the realities of transitioning workers across industries, especially workers who are unfamiliar with new technologies and are required to learn new skills. It also works to prevent claimants from exploring non-traditional employment pathways, such as on-hire work.

Our industry is acutely aware of the vital pathways that on-hire work provides into employment. As stated above, by sourcing, placing, and assigning workers across a variety of industries and workplaces, we support labour and professional demands across all forms of business and government. This allows individuals to develop skills while working, test out new careers and workplaces. The fact that on-hire agencies have existed for decades is evidence that this form of employment does not contribute to or represent "casualization of the workforce". We believe this rhetoric is in fact, counter productive to many of those seeking to improve their skills and is another form of labelling jobs as "good" or "bad", and is patently untrue.

For people who are experiencing unemployment, or who have a newly discovered or acquired health condition or disability, on-hire is an opportunity to have an advocate in the employment market who can advise on suitable roles and professional pathways that they may never have considered before.

Working with multiple employers and on various projects allows workers to develop skills that help them transition more easily across the workforce. Moving between clients and industries builds a diverse range of professional and social skillsets that enhance adaptability and engagement with future workplaces and environments.

The recruitment and staffing industry is exceptionally well placed to work in partnership with government and business when it comes to movement and placement of workers across the labour market in New Zealand. The mobility and diversity of on-hire work means staffing firms are some of

the most active agents when it comes to re-skilling, up-skilling, and transitioning workers across New Zealand's employment market.

On-hire and non-traditional forms are often vital pathways back to meaningful job for people who find themselves out of work. Perhaps most importantly, it allows people to remain connected to work and skills training if they have been made redundant, helping them avoid what can be devastating impacts of longer-term unemployment.

Very importantly, on-hire work allows individuals to fit work around life, rather than life around work and, in doing so, promotes meaningful work. Work that is meaningful to the individual, rather than work that is determined by academics and policy makers to be 'good'.

Any scheme or initiative that seeks to deliver confidence in the future of work in New Zealand and offer protections for those who take on jobs in dynamic, yet potentially risky sectors, should look to leverage the experience and activity of our industry and the broader marketplace. We know that our industry body, RCSA, stands ready to work with government to develop ways to leverage our sectors skills, experience, and activity in support of this ambition.

Thank you for the opportunity to provide our input and feedback to this process. We also commend the submissions provided by RCSA to the same.