

OUR EMPLOYMENT STRATEGY

Everyone working to deliver a productive, sustainable and inclusive New Zealand



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MINISTER'S FOREWORD

Work touches on every facet of our lives – it's how we support our whānau, contribute to our communities and make social connections, and it can help us learn new skills and support our health and wellbeing. It's also one of the best means for social and economic advancement and is critical to supporting a growing and transforming economy. This is why we have developed an Employment Strategy.



Quality employment is about education, good regulation, health and safety, security and support. Because this Employment Strategy spans many different areas of government it has been crafted in the spirit of coordination and cooperation.

This Employment Strategy is also about unlocking people's potential and addressing inequities in our society.

For Māori, Pacific peoples, women, young people and disabled people, including people living with health conditions, we need to ensure that those who consistently experience poor employment outcomes can access the right education, training and support to find quality employment.

We need to make sure barriers to re-employment for older workers are addressed.

And all of our tamariki should have equal access to quality education pathways that lead to better jobs with better wages and the brighter future they all deserve. It is also critical that we ensure, as we transition our economy into a digital net-zero carbon age, that all workers have the opportunity to upskill and continue to play an important part in New Zealand's economy.

This Strategy brings coherence and connectivity to the employment landscape. It makes it clear that everyone has a role to play – government, businesses, sector organisations, unions and individuals, and it sets the direction of travel. Partnering with Māori is an important part of this picture to ensure the Strategy reflects and works for Māori and leads to the development of effective policies.

We have a real opportunity to come together, for the benefit of all New Zealanders, to work to reduce the barriers some New Zealanders face in gaining dignified employment with a decent wage.

This will require us to work in innovative ways and to create new and bold solutions. This Government is committed to improving the coordination of employment-related support, including ongoing monitoring of the effectiveness of the skills systems and labour market.

We want everyone working together to deliver a productive, sustainable and inclusive New Zealand.

Hon Willie Jackson | Minister of Employment
August 2019



INTRODUCTION

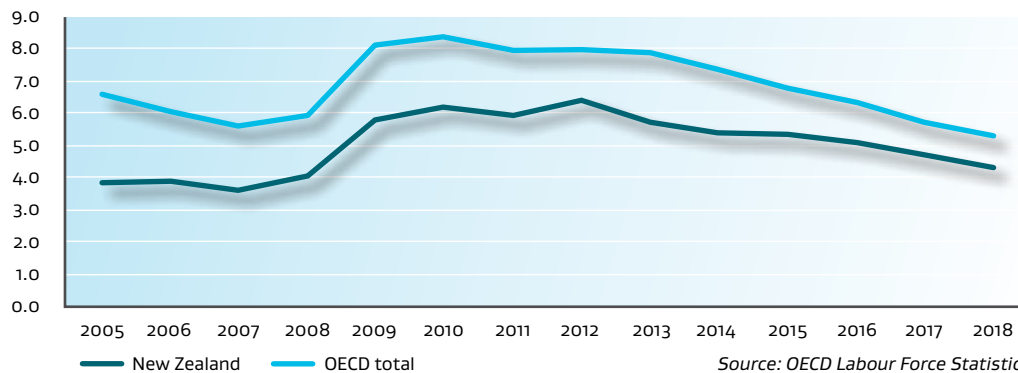
AN EMPLOYMENT STRATEGY TO SUPPORT PRODUCTIVE, SUSTAINABLE AND INCLUSIVE WORKPLACES

Our Employment Strategy will support New Zealand to become a productive, sustainable and inclusive economy that raises the wellbeing of all New Zealanders

The Employment Strategy aims to ensure that all New Zealanders can fulfil their potential in developing skills, finding secure employment and engaging in rewarding careers. It seeks to promote new opportunities and partnerships that deliver innovative ways of supporting the economic and employment aspirations of groups that have persistently poor employment outcomes.

On the whole, our labour market performs well. We have high levels of participation by highly skilled workers and low unemployment, and our unemployment rate has consistently been lower than the OECD average since 2005.

FIGURE 1: Unemployment rate, NZ compared to OECD total 2005-2018



However, some groups consistently experience poor employment outcomes. Table 1 below provides a snapshot of how some key population groups experience the labour market.

TABLE 1: Key labour market indicators – by key population groups

	All young people aged 15 to 24 years*	50 and over*	Māori*	Pacific peoples*	Women*	Disabled people**	National*
Employment rate	56.4%	42.0%	63.7%	60.3%	62.8%	22.3%	67.6%
Not in education, employment or training (NEET) rate	12.1%	N/A	18.5%	16.0%	13.0%	43.3%	12.1%
Unemployment rate	11.5%	2.4%	8.7%	8.1%	4.4%	10.6%	4.3%
Underutilisation rate	29.0%	8.1%	19.7%	17.6%	14.1%	25.4%	11.7%
Median weekly wages as a proportion of the national median weekly wage***	67%	104%	89%	88%	86%	87%	100%

Sources: *Annual average quarterly data from Household Labour Force Survey, Stats NZ;

**Annual data from Household Labour Force Survey, Stats NZ;

***Annual Income Survey, Stats NZ.

Definitions of key labour market indicators:

Employment rate: The number of employed people expressed as a percentage of the working-age population. The employment rate is closely linked to the working-age population definition.

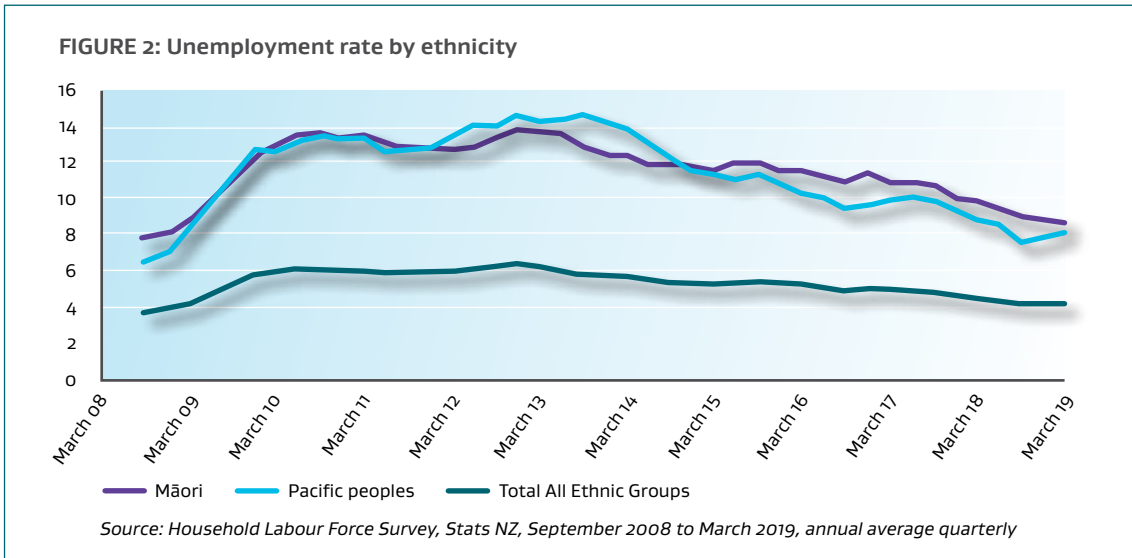
NEET: The NEET rate measures the number of young people aged 15-24 who are not in education, employment or training.

Unemployment rate: A person is defined as unemployed if they are without paid work, or unpaid work in a family business, but are actively seeking and available for paid employment or are starting a new job in the next four weeks, as a proportion of the total youth working-age population.

Underutilisation rate: This measure can be thought about as the 'potential labour supply'. It includes unemployment, as well as people who would like more hours, unavailable jobseekers who are actively seeking work and available potential jobseekers who are not actively seeking work.

For more information on these indicators, see www.stats.govt.nz.

Figure 2 shows how Māori and Pacific people consistently experience poor labour market outcomes.



There is significant room for improving New Zealanders’ skills, productivity, utilisation and wages. We want a labour market where New Zealanders who want work can find sustainable employment that fulfils their needs, aspirations and contributes to their overall wellbeing.

To support this, the Strategy outlines what the Government is doing over the next four years to:

- › build a skilled workforce that meets business needs and engages in lifelong learning
- › support provincial New Zealand and industries to be successful
- › work with industry to ensure workplaces are modern and provide decent work for a decent wage
- › respond to the changing nature of work in an equitable way
- › ensure that our labour market is inclusive.

The Strategy sets out an overarching framework to guide complementary government work programmes. This is supported by a series of action plans that focus on improving outcomes for groups that consistently experience poor employment outcomes.

FIGURE 3: Structure of Employment Strategy and supporting action plans



The population-focused action plans will be released progressively and are intended to complement the Government’s system reforms, for instance in education and welfare. We know that people often require a range of different government services. The population-focused action plans provide a cross-system perspective to identify how particular populations experience government services, and highlight opportunities to improve how services can work together to support better employment outcomes.



BUILDING A SKILLED WORKFORCE

We will enable the development of a skilled workforce that meets business needs and engages in lifelong learning

The better skilled our workforce, the more prosperous our communities will become. Investment in skills benefits not only the workers and their employers, but our wider society. It helps to increase understanding of others in our communities and reduce inequities.

Similar to most other developed economies, New Zealand needs a workforce that can adapt and remain productive in a rapidly changing work environment. For sustainable growth and higher productivity we need to ensure that workers have qualifications that are relevant and skills that are transferable and well-matched to jobs and local business needs.

This Government is committed to building an education and work environment that supports young people to get a good start in their careers, and one that supports lifelong learning. Lifelong learning enables people in the workforce to maintain, upgrade and adjust their skills over their working life time. This will help our workers to remain productive and adaptable in the face of change.

What does a skilled workforce look like?

To build a skilled workforce **workers** need to have:

- › strong foundation skills
- › access to affordable education
- › access to quality careers advice
- › opportunities to train and work at the same time, such as through apprenticeships
- › support to engage in lifelong learning, including second chance foundation education for those who missed out in the school system
- › opportunities to retrain, particularly for workers who lose their jobs, so they can find new work more easily.

To build a skilled workforce means **businesses** need to:

- › understand the skills they will need in the future
- › know how and where they can access training
- › understand the benefits of investing in training
- › engage with the tertiary education sector/industry bodies to convey their skill needs
- › invest in local labour.

What actions are we taking to build a skilled workforce?

To build a skilled workforce we are significantly reforming and investing in the schooling system, and taking a more strategic and proactive approach to anticipating our skills needs and better aligning education with the skills needed by employers.

We are reforming the vocational education system to create a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need to thrive. This will give all learners the education and training they need for the workplace, give employers greater access to a skilled, work-ready workforce across all regions of New Zealand, and ensure all the regions of New Zealand have collaborative, flexible, innovative and sustainable providers.

Developing a skilled workforce also means further education and training needs to be accessible and responsive to the needs of all, including disabled people. This is why we're making education more affordable and creating pathways to employment for groups that face the most significant barriers.

To achieve this we are:

- › working on compulsory education system reforms and investments to improve learning outcomes, particularly for Māori, Pacific peoples and people with learning differences
- › following the review of the National Certificate of Educational Achievement (NCEA), we are consulting on the design of the change package, including on proposals to:
 - make NCEA accessible for all learners
 - show clearer pathways between school and further education and employment, such as by developing a Vocational Entrance Award to allow students to directly enter high-level vocational education and to encourage the development of high quality, coherent packages of vocational education in schools and in foundation tertiary education.
- › ensuring immigration settings align with our overall labour market aims and support businesses to fill genuine skills gaps
- › developing a Careers System Strategy to ensure all New Zealanders have the skills and capabilities needed for a fulfilling career and sustainable income throughout their working life
- › expanding Mana in Mahi – Strength in Work Apprenticeship pilot, which gives employers funding and support to hire young New Zealanders who have been on a benefit so they can start earning while they gain valuable skills and employers can fill their skills gaps. We need to ensure more people who could greatly benefit from this initiative are supported to access it. This includes disabled people and some young people who are at risk of going on a benefit.

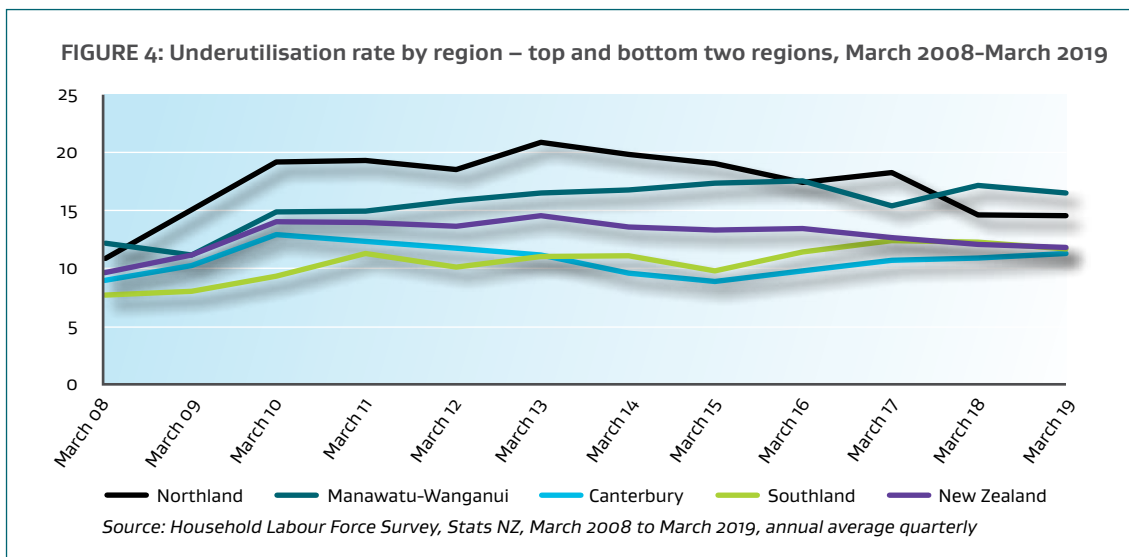


SUPPORTING THRIVING INDUSTRIES AND SUSTAINABLE PROVINCES

We will support regions and industries to be successful so that everyone gets a fair share of our prosperity.

For New Zealand to become more productive, sustainable and inclusive we need successful provinces, industries and firms. Together they will deliver high quality products and services that contribute to the national economy, creating jobs and higher living standards for all.

Many provinces in New Zealand perform well, although some consistently fare poorly in terms of labour market outcomes. The graph below shows that Northland and Manawatu-Wanganui consistently have underutilisation rates higher than the national average.



Many people, particularly Māori, have strong economic, cultural and social ties to their regions. People want to be close to their whānau, and this can influence where they choose to live and work. For New Zealand to thrive, we need to realise the potential of all people in all areas of the country. Supporting the growth of jobs is a key part of that. Importantly, it is not just about more jobs but better jobs, so that all New Zealanders have access to well-paid and long-term employment opportunities, no matter where they live or the sector they work in.

This Government has already made it a priority to invest in the provinces and we have allocated \$3 billion over three years to invest through the Provincial Growth Fund. This includes Te Ara Mahi – Pathways to Work, a fund specifically for regional employment, skills and capability, and He Poutama Rangatahi, which focuses on young people aged between 15-24.

We also need to recognise that people move in and out of the workforce, often dependent on personal circumstance. While many people spend the majority of their adult years earning or learning, others will be caring or volunteering. All make an important contribution to our society.

We support provinces and industries through flexible labour market settings. We also invest in projects that support job creation and critical infrastructure. In addition, we support businesses to give all New Zealanders an equal opportunity to succeed in the labour market.

What do thriving industries and sustainable regions look like?

Thriving industries and sustainable regions means **workers** need to have:

- › access to sustainable employment
- › access to relevant and quality education and training
- › equal opportunities to succeed in work
- › fair compensation for their contribution.

Thriving industries and sustainable regions means we want to support **employers** to:

- › create jobs leading to sustainable economic growth
- › be inclusive and supportive
- › understand their competitive advantage
- › move from volume to value add.

What actions are we taking to support thriving industries and sustainable provinces?

To support workers and businesses alike, we're making significant investments in our regions, while making sure our policy settings are closely aligned with provincial and sectoral needs.

To support this we are:

- › unlocking the full potential of regional Aotearoa via the \$3 billion Provincial Growth Fund. This includes \$82.4 million for Te Ara Mahi – the Provincial Growth Fund's skills and employment initiative
- › continuing to roll out the One Billion Trees programme to create sustainable jobs and address climate change
- › lifting the capability and capacity of the construction workforce via the Construction Skills Action Plan
- › engaging with the Digital Skills Forum to identify key skills issues and opportunities in high-tech and digital sectors
- › creating a unified vocational education system that:
 - has a stronger focus on employers, delivering the skills they need, providing more support for their employees, and ensuring greater consistency in vocational education across the country
 - establishes Regional Skills Leadership Groups, which provide advice about the skills needs of their regions to the Tertiary Education Commission, workforce development councils, and local vocational education providers
 - ensures that high quality vocational education will be available to all regions
 - gives employers assurance that regardless of where in the country a newly qualified worker did his or her learning, the standard of skill will be consistent.
- › increasing the Tertiary Education Commission's focus on regions to understand skills gaps and labour market dynamics, working more closely with industry and employer groups, and improving learners' pathways from compulsory education to employment
- › working closely with tertiary providers to ensure the Tertiary Education Commission is investing in programmes that respond to regional needs and aspirations as well as the needs of employers and industries
- › encouraging businesses to invest in Research and Development via the research and development tax incentive, helping us increase our productivity and boost wages
- › supporting technology diffusion by accelerating the roll-out of rural broadband and mobile networks
- › expanding He Poutama Rangatahi, which supports communities to develop pathways to sustainable employment for rangatahi (young people) that are currently not in education, employment or training
- › continuing to support the Sector Workforce Engagement Programme, including the establishment of jobs and skills hubs
- › reviewing the work health and safety regulations relating to young people entering high hazard work
- › lifting the capability of the tourism sector to address its workforce and skills through the implementation of the recently released New Zealand Aotearoa Government Tourism Strategy.



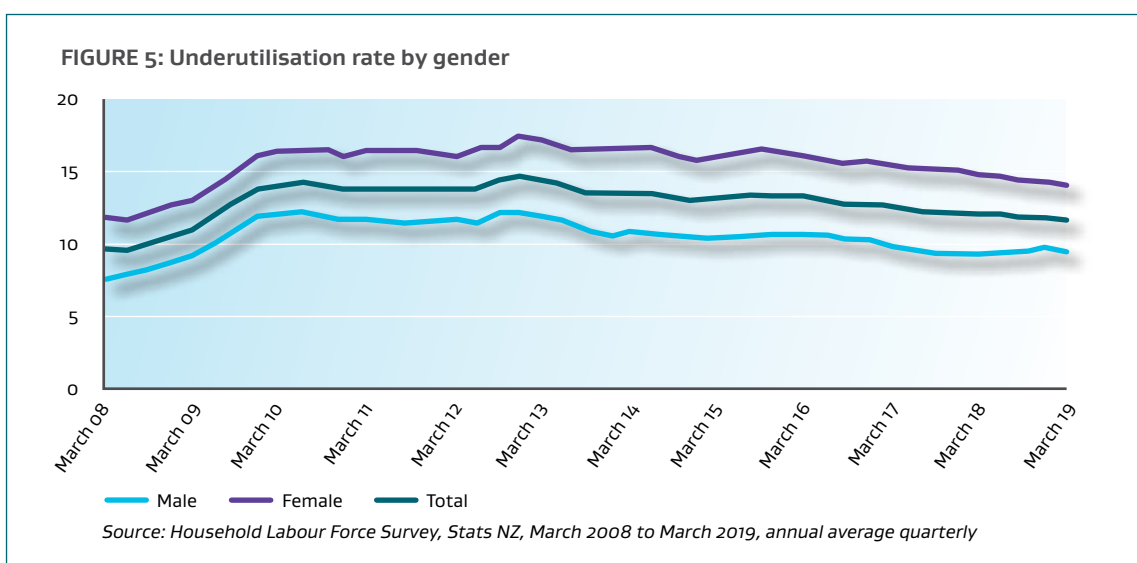
MODERN WORKPLACES FOR A MODERN WORKFORCE

We will create an employment landscape that supports productive and sustainable workplaces as we face a changing world of work

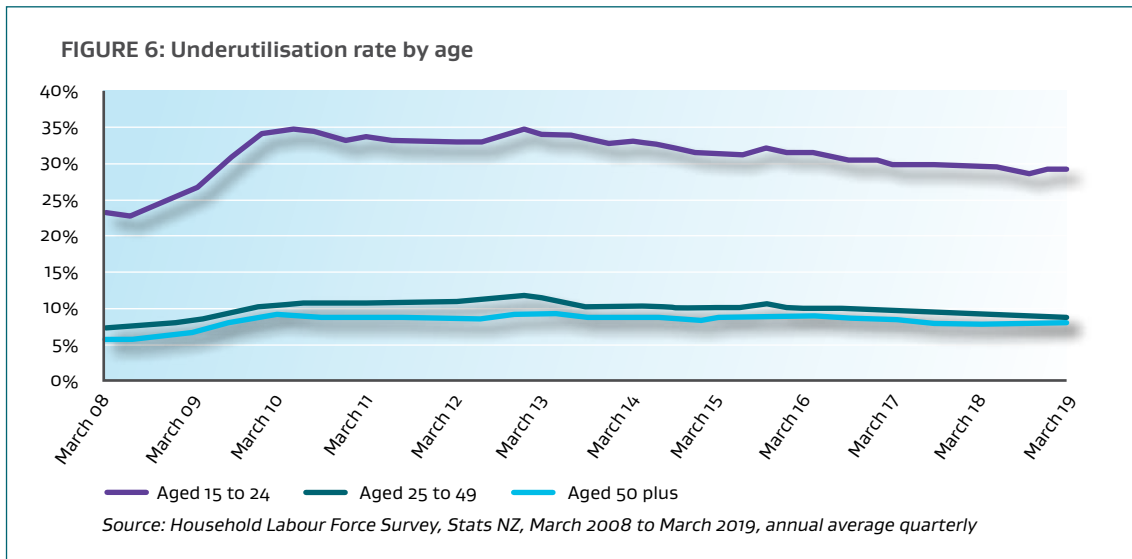
To improve the wellbeing of our people and communities and boost productivity we need to make sure our workplaces can support and accommodate a modern workforce. Modern workplaces offer workers work-life balance, clear career pathways, flexible work arrangements and make the best use of their workers' skills.

A modern workplace provides meaningful career opportunities. While New Zealand has low unemployment, many people still find themselves out of work, working fewer hours than they would like, in a role where they are unable to use all of their skills, or struggling to make ends meet despite holding multiple jobs.

The underutilisation rate is a measure of untapped capacity in the labour market. While underutilisation has generally been trending down since the Global Financial Crisis, it indicates that a significant number of people would like more work, and that the underutilisation rate for females is consistently higher than that for males.



The underutilisation rate for young people is also considerably higher than that for other age groups.



What does a modern workplace look like?

In a modern workplace **workers** have:

- › opportunities to upskill in work, so they're able to move up the ladder in their career, make effective contributions to their workplace, and easily change professions if they choose to
- › the ability to combine work, care and social responsibilities, such as through flexible and family friendly work arrangements
- › a stronger voice in the workplace and a commitment to productivity
- › stability in their job and fair pay that reflects the contribution they make.

And modern **businesses**:

- › invest in upskilling and developing career pathways for their workers
- › involve workers in problem solving and working out better ways of doing things
- › continuously work to lift their management capability and place workers in jobs that best match their skills and abilities
- › compete on productivity and innovation rather than low wages
- › promote diversity through inclusive recruitment and retention strategies.

What actions are we taking to support modern workplaces for a modern workforce?

To realise this aim of modern workplaces for a modern workforce, we want to see a culture of partnership between workers, unions and employers, and competition based on innovation and productivity.

To support this we are:

- › incrementally lifting the minimum wage to \$20 an hour by 2021
- › boosting the resources of the Labour Inspectorate to ensure employers are aware of and comply with their statutory obligations
- › overhauling the welfare system, informed by the Welfare Expert Advisory Group's recommendations, including a review of the accessibility of childcare
- › delivering research and development tax credits, to support businesses that invest in innovation and productivity-focused growth
- › extending paid parental leave from 18 to 26 weeks by 2020, giving families greater financial certainty and more time to bond with their new-borns
- › restoring key protections for workers and strengthening the role of collective bargaining, to foster productive relationships between employers and employees
- › exploring ways to increase worker engagement, participation and productivity across New Zealand workplaces through models like High-Performance, High-Engagement
- › investigating Fair Pay Agreements, a system of bargaining to establish minimum terms and conditions of employment across industries or occupations.



PREPARING FOR THE CHANGING NATURE OF WORK

We will partner with businesses and workers to respond to the changing nature of work in an equitable way

There are a number of megatrends that will change the nature of work – globalisation, climate change, technological progress, and demographic shifts caused by an ageing population and growing migration. The scale of change is uncertain but technology will play a more prominent role in our lives. This includes the way we work, with jobs expected to become more flexible, transitions between roles more common and the global labour market more diverse and highly competitive.

Demand will also grow for people in highly skilled jobs requiring complex cognitive and social skills.

For New Zealand and our Pacific neighbours, climate change will also have a profound impact. Part of the Government's response to that challenge is for New Zealand to transition to a more sustainable, low emissions economy.

These trends will impact different groups to different degrees, affecting the quality and quantity of jobs available. On the one hand, developments like automation and artificial intelligence will free people up to focus on more complex, higher value tasks in their jobs. New assistive technology alongside new ways of commissioning work (such as through digital platforms) can also provide new labour market opportunities for disabled people. Technological developments may also help address potential labour shortages and will likely create new jobs in the technology sector and, indirectly, in other sectors.

On the other hand, the workers least connected to the education system and historically discriminated against or exploited in labour markets are likely to be the most negatively affected by these changes. The Government can mitigate some of these effects by being transparent and open in its reforms so businesses and communities have information and time to adjust. Government also has a role in protecting those who are least able or least resourced to cope with the costs of adjustment. A partnership approach and a collective responsibility to act are integral to successful transitions.

There are also some New Zealand-specific demographic changes. While our overall population is ageing, we have youthful Māori and Pacific populations – populations who will make up an increasing proportion of our workforce. This makes it particularly important that we support these groups, who have been previously underserved by the labour market, to achieve their full potential.

The rate of change is speeding up, so we need a plan to prepare for the future, overcome the challenges and seize the opportunities, while making sure no one is left behind.

What does preparing for the changing nature of work look like?

To prepare for the changing nature of work **workers** need to have:

- › education pathways that provide the skills to enable participation in a more flexible economy
- › higher skill levels, and complex skills like problem-solving, creativity, agility and adaptability
- › technological literacy
- › access to lifelong learning opportunities, including in work, that create career transition pathways, particularly in industries and sectors identified as likely to be heavily impacted by digitisation in the short to medium term
- › protection from exploitation through digital commissioning platforms (in particular where people are self-employed).

To prepare for the changing nature of work **businesses** need to:

- › invest in research and innovation to move up the value chain and adapt to change
- › diversify and shift into higher value, more productive, and more knowledge intensive activities
- › take advantage of technological advancements to grow sustainably
- › lower their environmental impact and shift to a more sustainable use of energy and resources
- › partner with industries likely to be heavily impacted by the changing nature of work to develop agreed strategies and interventions to support workforce planning, upskilling and career transitions.

What actions are we taking to prepare for the changing nature of work?

The Government is putting in the time and effort to understand the impacts of the changes ahead and is partnering with iwi, regions, sectors, businesses, unions and communities to manage those in an equitable and inclusive way.

To support this we are:

- › partnering with Business New Zealand and the New Zealand Council of Trade Unions – as representatives of union and business groups – through the Tripartite Future of Work Forum to think about how we can collectively support New Zealand businesses and workers to meet the challenges and take the opportunities presented in a rapidly changing world of work.
- › focusing on how we can mitigate any potential negative impacts arising from New Zealand's shift to a low emissions economy. This work is being led by the Just Transitions Unit within the Ministry of Business, Innovation and Employment and is taking a partnership approach to ensure there is a shared vision on how this process is fair, equitable and inclusive.
- › reducing our greenhouse gas emissions through the \$100 million New Zealand Green Investment Finance Ltd. This is a part of the Government's commitment to address climate change and support New Zealand's transition towards a net-zero-emissions economy by 2050.
- › creating a vocational education system that gives people the opportunity and flexibility to earn while they learn and gain an education that is more directly relevant to the changing needs of the workplace. A unified vocational education system will bring together industry and educators to make sure New Zealand's workforce is fit for today's needs and tomorrow's expectations.
- › helping companies adapt to the fourth industrial revolution, or Industry 4.0, by connecting firms to the capabilities, co-funding, and networks they need to succeed through Callaghan Innovation.
- › developing a package of options to ensure dependent contractors have the necessary protections and are not disadvantaged by their working arrangements now and in the future.
- › undertaking in-depth analysis of the most at-risk workforce groups in key industries and sectors likely to be heavily impacted by digitisation in the next 5-10 years and establish new partnerships to develop strategies and opportunities for career transition planning as needed.



SUPPORTING AN INCLUSIVE LABOUR MARKET

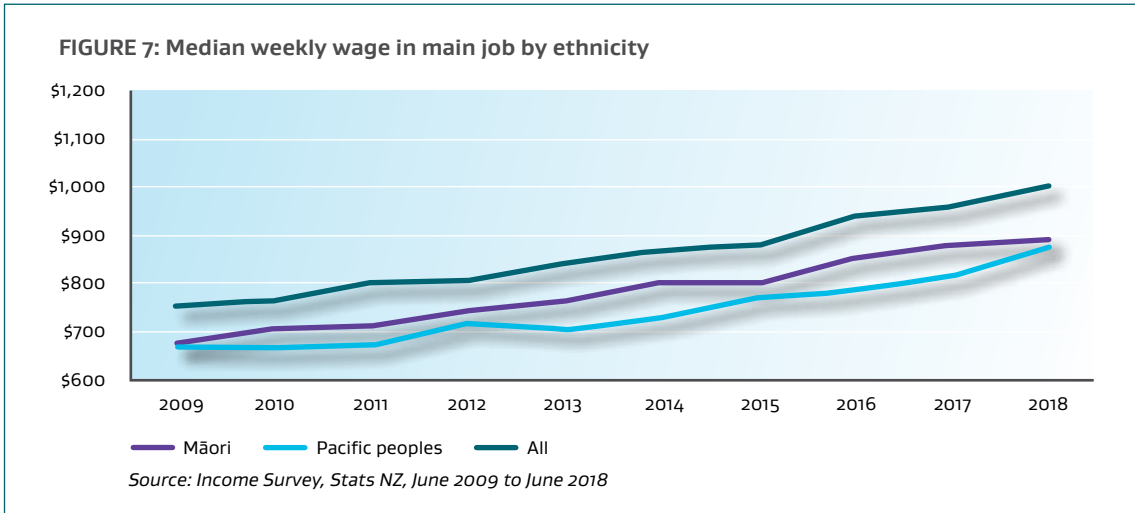
We will ensure that anyone who wants to participate in the labour market can access decent work

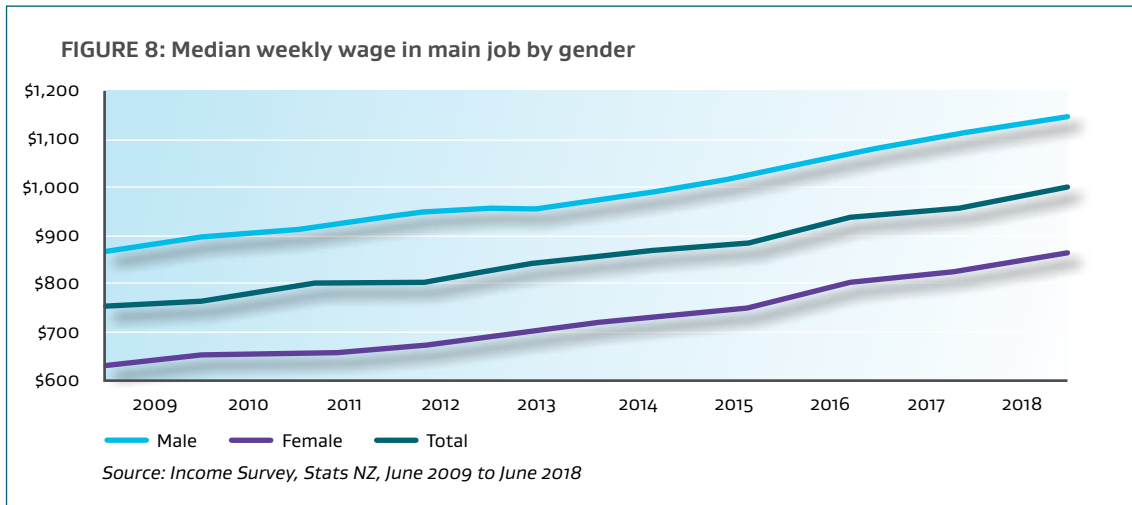
New Zealand overall has high rates of labour market participation and low unemployment.

However, some people still find themselves locked into low skilled jobs where they are unable to use all of their skills, have few opportunities to move up the career ladder, and struggle to balance their caring obligations or make ends meet. Some groups of people also have low labour market participation rates due to a mix of factors including longstanding disadvantage, social myths and unwarranted low expectations.

We also need to be aware of New Zealand’s diversity and changing expectations around roles based on gender, disability, ethnicity, and age. Our workplaces need to reflect this, and need to have good systems and processes in place so they are free from discrimination and bias that impacts on and limits workforce progression and pay-setting outcomes.

On the whole, young people, Māori, Pacific peoples, women, and disabled people have higher rates of unemployment, underutilisation and lower wages than the general population. And despite low unemployment, older people who lose their jobs take longer than other groups to find new employment and experience a wage drop. Figures 7 and 8 below show the median weekly wages for different ethnicities and genders.





Young people, Māori, Pacific peoples, women, and disabled people also tend to be over-represented at the lower-skilled, lower-wage end of the labour market. People working for low pay often have more tenuous labour market links, and precarious work is more likely to be low-skilled. Precarious work is concentrated in particular industries and amongst younger and older workers, as well as women, Māori and Pacific peoples. Māori and Pacific peoples also experience significant structural disadvantage in the labour market as a result of ethnic-gender wage gap disparities.

Anyone who wants to participate in the labour market should be able to access decent work. This Strategy sets out a roadmap to improve labour market outcomes for those groups that consistently experience poorer labour market outcomes.

What does an inclusive labour market look like?

In an inclusive labour market, **workers and job seekers:**

- › have equal access to employment opportunities
- › are judged fairly based on their skills and experience, rather than their ethnicity, gender, disability or any other personal status or characteristic
- › have access to amends if they experience discrimination in the workplace
- › are supported if required to fulfil their employment aspirations, through evidence-based and tailored initiatives that are responsive to individual, whānau, community and industry circumstances
- › have access to effective support and, if appropriate, rehabilitation and/or re-training when disability or health conditions impact on how they participate in the labour market
- › receive fair pay on an equal basis with workers doing similar work
- › see reduced disparities in employment outcomes between different demographic groups.

And inclusive **businesses:**

- › are confident to employ people from diverse backgrounds and understand the advantages of a diverse workplace
- › know where to go for support from government (including resources and funding) to create inclusive and accessible workplaces
- › keep all their employees safe from harm, including bullying
- › provide flexible working conditions as a default
- › have diverse workforce representation at all levels in terms of both ethnicity and gender
- › have good checks and balances in place to remove structural bias and discrimination
- › know how to accommodate diverse workplace requirements, including for disabled people and people with caring responsibilities, by providing flexible hours and the ability to work remotely, ensuring the workplace is inclusive and accessible, and supporting employees to access adaptive technology and equipment.

What actions are we taking to support an inclusive labour market?

To support the inclusivity of our labour market, this Strategy lays the groundwork for a series of action plans to ensure that those who consistently experience poor labour market outcomes have the support they need to find decent work.

Through these action plans we intend to thread a more whānau-centred approach, recognising that many of our policy settings have not worked for Māori or for Pacific peoples for instance.

An action plan to support better employment outcomes for young people has been developed and will be implemented over the next four years.

An action plan for disabled people, including people with health conditions, to ensure they can enjoy equal opportunities to work and pursue their career aspirations, is being developed.

Proposed areas for subsequent action plans include older workers, Māori, Pacific peoples, and refugees and new migrants.

Beyond these action plans, there is already significant work underway to support an inclusive labour market. We are:

- › introducing the Equal Pay Amendment Bill, which amends the Equal Pay Act 1972 to expressly provide for a pay equity regime, a vital step in addressing gender-based undervaluation across female-dominated industries
- › ensuring the State Sector is taking a lead on employing disabled people with the 'lead toolkit' for employers, training for HR managers and improved disability data collection
- › progressing the employment aspects of the Refugee Resettlement Settlement Strategy and the Migrant Settlement and Integration Strategy
- › developing guidance for employers on employing older workers
- › funding additional Work and Income staff to help more people into meaningful and sustainable employment
- › providing funding to support 2,600 disabled people and people with health conditions to find and stay in meaningful and sustainable employment and improve their wellbeing through the Oranga Mahi programme and disability employment services
- › overhauling the welfare system with a focus on better supporting people who are able to be earning, learning, caring or volunteering.



