

FoW Tripartite Forum



Identifying priorities to support workers
who are displaced or at risk of
displacement

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INNOVATION & EMPLOYMENT
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Better support for displaced (and at-risk) workers is a Forum priority

While the estimates vary widely, the future of work is likely to see more displacement and new job opportunities

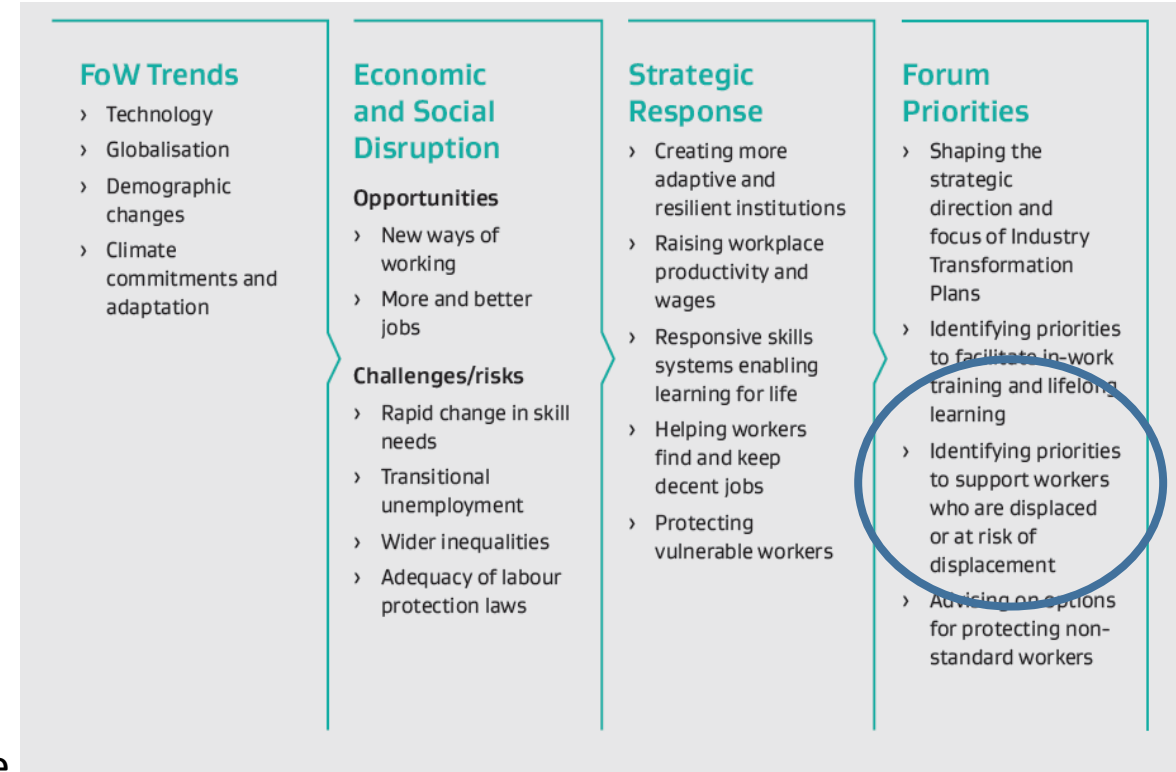
Many displaced workers do get re-employed promptly, with the same (or better) conditions.

But others risk long-term unemployment, and / or poorer conditions on re-employment (including “wage scarring”).

This is a cost to workers, and firms (through lost productivity/output).

More effective support for displaced (and “at risk”) workers could maintain their incomes and improve firm performance.

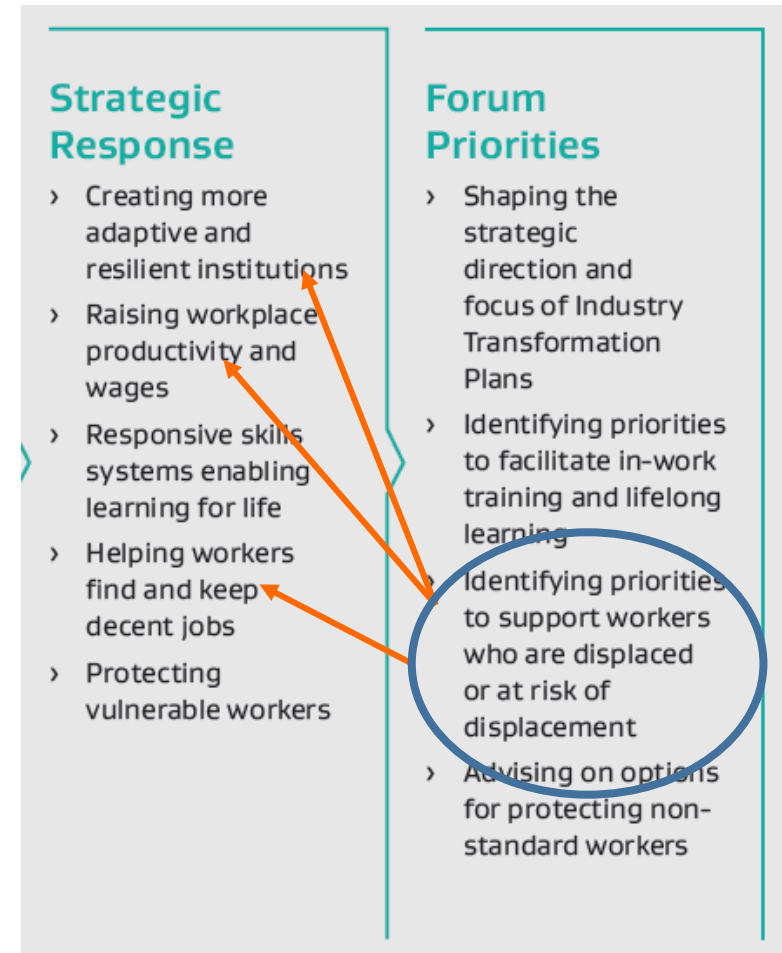
The impacts of COVID-19 show how critical it is to have effective support for displaced workers in a globalised world. The Government has moved quickly to introduce wage subsidies, a leave scheme, announced a redeployment package, and making Provincial Growth Fund Investments.



Three of the Forum's Strategic Responses are particularly relevant to supporting displaced workers:

- Helping workers find and keep decent jobs
- Raising workplace productivity and wages
- Creating adaptive and resilient institutions

As a Forum, we need to identify practical ways of achieving these Strategic Responses.



Displacement and the Future of Work

Possible change in the future

- Estimates of the potential scale of job displacement vary widely. The OECD estimates 9% of NZ jobs could be automated.
- Estimates of technological impact on labour market tend to focus on job loss, not job creation (which is also expected to happen)
- Productivity Commission has found that there is “little, if anything, in the available data to suggest imminent disruption to work” and that pace and scale of technological change in NZ depends on significant extent on developments overseas.
- Need to prepare workers for changes in the labour market for new skills and new jobs
- PIAAC found that more than 50% of adult population have little or no ICT skills

Current situation

- StatsNZ estimates that on average around 35,000 New Zealanders are displaced annually, or 1.4% of the workforce. Two studies have concluded that wage scarring is notable in New Zealand relative to other countries.
- Considering the current economic impacts of COVID-19, the rate of displacement is likely to increase
- There is a pressing need to keep people “attached” to employment and to ensure effective support for displaced workers
- To address these challenges the Government has already introduced wage subsidies, a leave scheme, announced a redeployment package, and making Provincial Growth Fund Investments.
- The GFC caused a significant increase in displacement, which had long term impacts on displaced workers, such as long term unemployment, wage scarring and psychological impacts (responses included temporary financial assistance, job search services, job support scheme, and work experience programmes)

We need to respond to current challenges and build an effective system for the future

What support makes a difference for displaced workers?

financial support

access to
information and
brokerage

access to
education and
training

employment
opportunities

These elements should be coordinated to achieve maximum effectiveness

However...

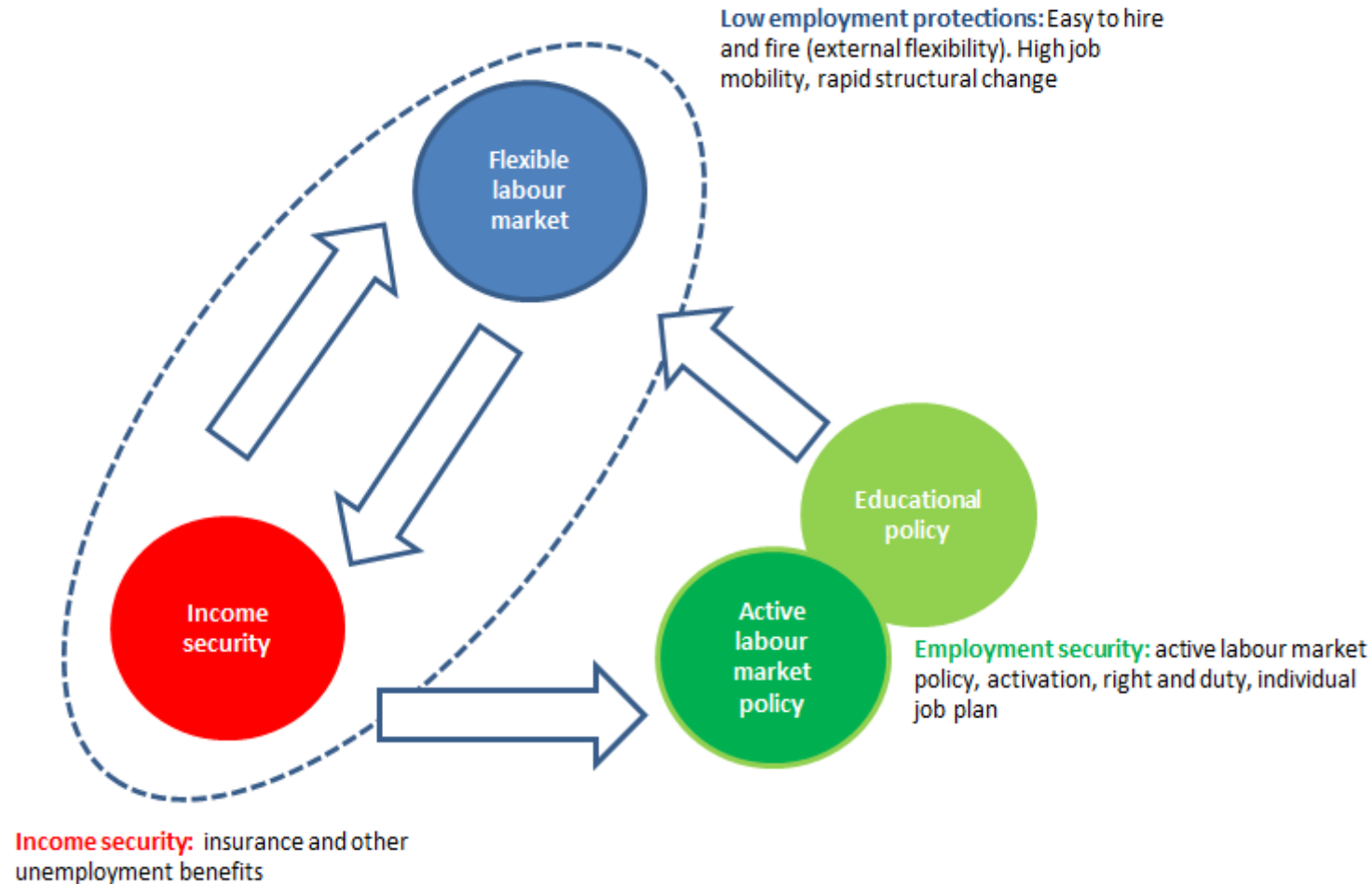
Current support for displaced workers is limited

Relative to many other countries, New Zealand...

- relies on low and tightly targeted welfare benefits rather than social unemployment insurance
- offers limited regulatory protections (e.g. notice periods, redundancy payments)
- targets public employment services largely towards welfare recipients
- provides uneven access to firm based training especially for workers who are most vulnerable to job loss

This modest range of supports may help to explain the more marked scarring effects we see in New Zealand relative to other countries

Denmark's flexicurity model shows how these elements can be combined into a mutually reinforcing system



What are we currently doing to help displaced and at risk workers to find and keep decent jobs?

Response to COVID-19

- Government has already introduced wage subsidies, a leave scheme, announced a redeployment package, and making Provincial Growth Fund Investments

Welfare overhaul (financial support and access to information and brokerage)



- expanding MSD employment services over time to support a wider range of people experiencing difficulty finding and staying in suitable employment
- enhancing MSD's proactive responses to larger scale redundancies, and the availability of active employment services
- reviewing the adequacy of welfare payments

Reform of Vocational Education (access to education and training)



- easing access to vocational training
- increasing the industry-relevance of vocational training

Careers System Strategy (access to education and training and access to information and brokerage)



- improving the availability and quality of careers advice to workers

Provincial Growth Fund (PGF) – (employment opportunities)



- \$3b over a three-year term to invest in regional economic development.
- Through the PGF, the Government seeks to ensure that people living all over New Zealand can reach their full potential by helping build a regional economy that is sustainable, inclusive and productive.

Some choices to consider

Financial support

Statutory redundancy?

Welfare policy changes?

Wage insurance ?

Access to KiwiSaver?

A loan scheme?

Access to information and brokerage

Access to employment services?

Notification of redundancies to MSD?

Redundancy notice periods for workers?

New delivery modes (eg Job Security Councils)?

Access to education and training

Widen suite of micro-credentials?

Incentivising tertiary providers to offer relevant and accessible training for workers changing skill sets?

Incentivising firms to enable training (especially for at-risk workers and growth sectors)?

Employment opportunities

More intensive industry transformation planning?

Extend regional Just Transition approaches?

Enhancing financial support for displaced workers



Financial support

- The case to focus on enhancing financial support:
 - reduce incentive to take first job => reduce poor match
 - enable reskilling between losing and finding new job
 - avoid wasting human capital

- Support is currently very limited

- Better support – especially through “smoothing income”
 - Offers the prospect of reducing wage scarring through:
 - longer job search periods
 - more opportunity to retrain/upskill
 - incentivising firms, and employment and insurance providers to support displaced workers into jobs that minimise wage scars

Potential work plan

- Responding to immediate COVID-related disruption
- Exploring social insurance models and statutory redundancy payments by creating different prototypes that include elements of non-financial and financial support
- Exploring pathways to implement different prototypes of support for displaced workers

exploring social insurance
models

exploring statutory
redundancy payments

strengthening non-
financial active labour
market policies, training
and employment
interventions



Forum Discussion Questions

- What does a successful response look like?
- What options for providing financial support for displaced workers are worth exploring further?
- What complementary policies are required?
- What is the role for Government in addressing displacement and promoting dynamic labour market? What role should social partners have to support displaced workers?