



Submission by Accordant to the
The Future of Work Tripartite Forum

On
A New Zealand Income Insurance Scheme

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Introduction

Accordant is New Zealand's largest recruitment and resourcing group, and the only staffing provider listed on the NZX (AGL). Our services span all aspects of commercial and industrial recruitment services. We are a large employer of temporary workers, and place temporary, contractor and permanent workers into several sectors, and as such have a good barometer on labour market drivers.

We oppose what can be best described as a social insurance scheme, albeit it has been labelled as a worker insurance scheme. We believe this scheme is a flawed model and there is no need for such a scheme at this time.

The scheme does not provide higher productivity nor enhance the labour market

We understand the purpose of the scheme is to work towards a more productive, sustainable and inclusive economy. These are certainly laudable goals.¹

These are noted in the executive summary of the discussion document. This is where the scheme fails, right at its start point and purpose. At this point the document relates that "productive" means: 'living standards are rising, including through adopting new technology and matching workers to good jobs.'

This statement is incorrect. There is no doubt that there is a linkage between productivity and wellbeing, but in fact productivity by definition measures output per capita of population. Productivity is the output of workers. A highly productive economy can certainly assist with wellbeing but is categorically not defined as wellbeing.

The productivity commission (draft report 2 November 19 Employment, labour markets and income) suggests that a new labour market model could be established. A function and driver of this model based on high capital-intensity jobs and rapid uptake of technology.

'Firms are more likely to adopt technology if the adjustment costs they face, including labour related cost, are low'.²

With New Zealand's low productivity rate, a move to a more flexible labour market which favours income security over job security is seen as a way to increase productivity. This is described as "flexicurity", which is a system where workers can be transitioned from work more easily on both sides of the employment relationship, but will get surety of income as they transition to a new career.

¹ New Zealand Income Insurance Scheme Discussion Document (Page 7)
<https://www.mbie.govt.nz/dmsdocument/18666-a-new-zealand-income-insurance-scheme-a-discussion-document>

² Productivity commission (draft report 2 November 19 Employment, labour markets and income) (Page 10)
<https://www.productivity.govt.nz/assets/Documents/cda798cbb9/Draft-report-2-Employment-labour-markets-and-income-v3.pdf>

The paper suggests ‘The Tripartite Forum on the future of Work appears to be a suitable vehicle to further explore a route towards a labour-market model more supportive of technology adoption and productivity growth.’”

What has been proposed in this worker insurance scheme includes no changes at all to labour market settings. It does nothing to allow employer flexibility and should and cannot be positioned as a ‘flexicurity model’ that the productivity commission suggested the Future of Work Tripartite forum explore.

The discussion document does not provide any evidence or plausible linkage to increasing productivity from applying this social insurance scheme. In fact, it is likely that it would result in lowering productivity further. Displaced workers will take longer before they seek new work as they are in no rush to replace their income. New Zealand’s low unemployment rates and low long term unemployment rates are evidence that the employment market is functioning well for displaced workers.

The scheme does not help the intended audience

In essence this scheme is a social insurance scheme funded by employers and employees. Ironically it is proposed that not only permanent employees but also part time, fixed term workers and casual workers be included.

Non-permanent employees choose short term jobs and by definition finish assignments with regularity and successfully seek and obtain other work as it suits them. These workers, along with other workers not displaced will be taxed along with businesses for this new social initiative. Largely these workers would not benefit as the majority of these workers prefer casual or fixed term work.³

Little detail is provided as to how this new social initiative will be successful. We understand a case manager would be provided by ACC to manage each claimant under the scheme. Given an estimate of 115000 displaced workers per annum, and effectively 8 months in the scheme, we could expect upwards of 80000 people being managed at one time.

It is hard to envisage building a workforce of career change experts and talent managers being built by ACC in what is an already tight market. At a ratio of 1-100, which would offer very ‘light touch’ advice, some 800 talent specialist workers would be required. This is an unrealistic expectation and yet this a key factor to the success of the model in helping displaced workers find jobs.

There are already good mechanisms, such as the welfare system to assist the unemployed. It is stated in the discussion document⁴ that ‘income insurance would generally make higher payments, and to a greater number of people who lose their jobs, than the welfare system. The implication is that above average income earners will be assisted. However, we would surmise that the above average income earner does not have as great a need, as their ability to earn higher levels of income may be correlated with role types less likely to be displaced in the future of work, and are workers who already have

³ Survey of working life: 2018
<https://www.stats.govt.nz/reports/survey-of-working-life-2018>

⁴ New Zealand Income Insurance Scheme Discussion Document (Page 33)
<https://www.mbie.govt.nz/dmsdocument/18666-a-new-zealand-income-insurance-scheme-a-discussion-document>

better access to reskilling if required. On the other hand, requiring those who are low income earners to contribute 1.39% of their existing earnings, when also facing increased housing costs and high inflation equates to a smaller household budget to put food on the table and a roof over their heads. We conclude therefore that this would not address inequity.

The discussion document⁵ outlines the objective for 'people to be confident of their place in the future of work and open to taking jobs in dynamic but potentially risky sectors' and argues that it is the lack of support system that is impacting productivity and ability to adapt to change. We would point out that rather it is the lag in business transformation and associated retraining that is impacting productivity and ability to adapt to change. The scheme proposes that all employees and employers contribute up to \$1,819.66 per employee annually for an intended much smaller number of recipients. We believe that the funding would be better diverted into carrying out business transformation and providing skills training for entire workforces to minimise job loss in the first place. Increasing the cost to business would further impact upon their ability to carry out business transformation and skills retraining in their organisations. And requiring swaths of employees to fund something they may never benefit from disadvantages their own self-development.

Even if the scheme could be modified this is the wrong time to add this cost to individuals and businesses

Introducing another cost to employers after sustaining turbulent trading during the pandemic over the past two years in addition to increased costs from a higher minimum wage, additional sick leave and an additional public holiday means downward pressure on learning and development, and remuneration budgets.

The discussion document⁶ argues that people accept lower paid jobs because of the pressure to get back to work quickly. What we observe currently however, is a much greater incidence of workers securing better paying jobs and/or jobs for which they do not yet have the experience. This trend is pronounced more than ever due to a tight talent market - borders being closed and a low unemployment rate.

Conclusion

There is no need for a social insurance scheme at this time. If one was needed in the future then it must be designed to help productivity in New Zealand and hence build in greater employer flexibility. The current inflationary climate is certainly not the right time to add further cost to businesses and tax workers at population level.

We would be delighted to present to the Select Committee. We do not agree to our submission being published.

⁵ New Zealand Income Insurance Scheme Discussion Document (Page 22)
<https://www.mbie.govt.nz/dmsdocument/18666-a-new-zealand-income-insurance-scheme-a-discussion-document>

⁶ New Zealand Income Insurance Scheme Discussion Document (Page 4)
<https://www.mbie.govt.nz/dmsdocument/18666-a-new-zealand-income-insurance-scheme-a-discussion-document>