

## **My Name and Organisation**

Name: Lisa Alexandra Mackay

Title: Managing Director

Company: HRtoolkit

## **Response to Consultation document**

### **Mixing up Redundancy and loss of work due to Health Conditions and Disabilities**

I strongly believe that this proposal is mixing up two very different situations which need to be treated separately and distinctly:

1. Involuntary loss of work due to the disestablishment of a job
2. Loss of work due to Health Conditions or disabilities

I will therefore respond to those two matters separately

### **Loss of work due to Health conditions or disabilities**

I believe the current ACC system which provides cover for someone who (for example) has crashed their car whilst drunk (i.e. through their own fault), but provides no cover for someone who is unable to work due to contracting (for example) cancer (i.e. through no fault of their own) is unfair.

As such, I believe that the ACC style of support through payment of lost income, support for rehabilitation and retraining etc should be extended to incorporate people who are unable to work due to Health Conditions or Disabilities.

### **Honoring Te Tiriti o Waitangi**

No. I believe that the Rite Tahī, equality of rights, means that rights should be applied equally, irrespective of race. Further, the Human Rights Act requires that all people are treated equally, irrespective of race. To specifically single out the rights of one group, Maori, is therefore racist and I do not believe it legally or morally correct and is not in alignment with the Rite Tahī.

### **Involuntary loss of work due to the disestablishment of a job**

The nature of New Zealand business needs to be taken into account when considering how to respond to this issue.

In New Zealand according to Stats NZ February 2021 90% of employers employ less than 20 staff, and those employers account for 37% of the employees in NZ. Further there were 64,809 company deaths in 2021, or a death rate of 12%, and a corresponding Birth rate of 11%. Unemployment rates remain exceedingly low. Some assumptions and considerations can be taken from this data:

1. Though the death rate is high, so is the birth rate, i.e. jobs are being lost through redundancy, but at the same time new jobs are being created
2. The issue being faced by many NZ business is the inability to get staff, at only 3.2% unemployment (Dec 21 Stats NZ), the vast majority of those people who are unemployed are there because they are unemployable or they are “playing the system”.
3. Very few businesses of under 20 employees have their own HR department, they are therefore reliant on external consultants to support with prevention of reaching a redundancy situation and management of restructures when required. Due to the size of these business, preventative HR measures are often overlooked. This is not a problem that can be resolved easily, and adding further compliance costs and issues which the business owners are unskilled to respond to will only further compound the issues already faced by small businesses. This will result in further business closures, largely from those small business’s who account for 37% of the NZ workforce

### **What does the future hold?**

2 years ago, I doubt anyone would have predicted that we would be in a situation of record low unemployment, sky rocketing house prices etc. The impact of COVID continues to be felt and it is impossible to say whether we will actually have a massive increase in redundancies.

However, I strongly believe that the drastically increasing compliance costs that the government have imposed on employers, and continue to impose on employers will push many business over the edge into the death statistics. Just some of those increased compliance costs already are:

1. 20% increase in minimum wage in last 2 years
2. Increased sick leave to 10 days (and additional 2%)
3. Pressure on employers to cover the top-up to 80% income through COVID
4. Increased bereavement leave
5. Increased responsibilities on employer to comply with the requirement of the COVID 19 response
6. Additional Public holiday

The net result is that:

1. New Zealand now has the 3<sup>rd</sup> highest minimum wage in the world with additional benefits (Sick pay, annual leave etc) on par with or in excess of other countries
2. For employees paid above minimum wage (i.e. middle income earners) New Zealand was already significantly lower than the rest of the world. However, with the increased costs above the ability to increase the wages for the middle income earners has been significantly eroded. The net result is that these pay rates have fallen even further behind other countries.
3. The brain drain will happen, simply because middle income earners simply cannot afford to live on what they can earn in New Zealand. The cost of living in New Zealand is on par, and even higher than in other comparable centres around the world, but the incomes you can get here are not.
4. This proposal will further reduce the take home pay of all earners, and therefore further exacerbate the situation

### **Proposed compensation for involuntary loss of work**

The proposed compensation (whether paid by the company or the government) takes no account for international best practice factors such as age, or length of service. For example:

1. [UK](#) – after a minimum 2 years service redundancy compensation is awarded based on age and length of service
2. [Australia](#) – Minimum 12 months service with awards related to age, length of service, and the size of the company

### **This proposal will be abused**

To offer a blanket 7 months at 80% pay irrespective of your skill level, length of service and after only 6 months in work over the period 18 months will be abused. And this system will be used by both employees who fancy 7 months “paid holiday” and employers who see this as an incentive for an employee to accept termination of their employment and reduce the risk of the employee raising a Personal Grievance against them.

For example, a minimum wage employee who could actually take a job in a supermarket without any true loss of status, could, readily under this proposal, sit back for 7 months, receiving their 80% pay, by saying that “supermarket work wasn’t what they truly wanted to do so therefore they wont take that job and will continue receiving the benefit.

### **Why Age and length of service need to be factors for consideration**

At age 20 your average employee has not yet fixed on any particularly career path, and will find it far easier to find alternative work at a similar income level to what they currently receive. However, a 50 year old management level employee will find it far more difficult to find commensurate work at a substantially similar pay level.

Length of service needs to be a factor to ensure that those employees who have given good service to a company are being fairly compensated for that when compared to employees who have only been there for 6 months.

### **I am against this proposal**

I am strongly against this proposal as written.

### **Requirements of any redundancy compensation**

Any redundancy compensation needs to reflect:

1. A minimum 12 months service with a single company (not just 6 months in employment over the last 18 months)
2. Be related to age and length of service
3. Be capped at sensible levels – the proposed 7 months at 80% pay is excessive