

AIDE MEMOIRE

Ministerial meeting: Enhancing support for displaced workers and other people who lose their jobs

Date:	7 December 2020	Priority:	Medium
Security classification:	In Confidence	Tracking number:	MSD REP/20/12/1193 MBIE 2021-1695

Purpose

On 9 December 2020, you are meeting with your colleagues to discuss the joint report *Enhancing support for displaced workers and other people who lose their jobs*. Attending the meeting are the Ministers of Finance, Social Development and Employment, Revenue, Economic and Regional Development, and Workplace Relations and Safety.

This aide memoire provides talking points and background for your participation.



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07/12/20



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8/12/20

Background

1. Ministers are meeting on 9 December 2020 to discuss the joint report *Enhancing support for displaced workers and other people who lose their jobs*. (MBIE: 2021-1213 / MSD REP/20/11/1080 refers). The purpose of the meeting is to discuss and to jointly direct officials on the scope and process for further work.
2. Since the case for introducing social insurance is finely balance, officials seek direction on:
 - a. whether Ministers want further work to be done
 - b. the relative prioritisation and sequencing of this work compared to other work streams
 - c. how this work should complement possible reforms to broader system settings and Government's overall fiscal strategy
 - d. the desired weighting and balance between proposed objectives and principles, and whether there are any additional objectives for the work
 - e. whether to rule out any choices at this stage
 - f. the process for further work.
3. Attending the 9 December meeting are the Ministers of Finance, Social Development and Employment, Revenue, Economic and Regional Development, and Workplace Relations and Safety. Paul Stocks, Deputy Secretary, MBIE will lead the discussion on the joint report.
4. The next meeting of the Future of Work Governance Group on 14 December is an opportunity to discuss Ministers' decisions with the social partners (the Council of Trade Unions and Business New Zealand). The Governance Group comprises the Ministers of Finance, Education, and Regional and Economic Development and the social partners.

Enhancing support for displaced workers and other people who lose their jobs

5. Enhancing support for displaced workers is one of the Future of Work Tripartite Forum's priority work streams. Better support for displaced workers is a priority since large scale labour market disruptions – such as those brought about by climate change and technological change – could increase job losses. Displacement can lead to long unemployment spells, and lasting wage reductions for affected workers (“wage-scarring”). Wage scarring suggests poor use of workers' skills, and productivity loss. Some workers will be more at risk of displacement and the negative impacts of it than others.
6. A more effective support system for displaced workers could help workers transition to jobs that make the best use of their skills. The joint report focusses on options for enhancing financial support. Financial support is an important element of supporting displaced workers, since income loss is an immediate effect of job loss, and can increase pressure on displaced workers to accept poorly matching jobs.
7. Displacement (redundancy) is only one cause of job loss. The onset of health conditions and disabilities is another significant cause. Working people who are displaced, or who develop health conditions and disabilities, face similar risks of long-term unemployment and wage scarring, and may benefit from similar help. ^{s 9(2)(f)(iv)}

s 9(2)(f)(iv)

8.

9. The work to enhance support for workers who lose their jobs has overlaps with the welfare overhaul, which is seeking to improve both income support and employment services, and your responsibilities as Minister for ACC. There is an opportunity to promote greater system coherence and improve outcomes for individuals across these systems. In any case, it is important to avoid making our systems even more complex to administer and to access, and to avoid adding new inequities or worsening existing ones.

Talking points

10. You may wish to draw on these talking points in the ministerial meeting:

- I think it's important to continue this work, and to keep a range of options open.
- COVID-19 shows there are gaps in support for people displaced from their jobs, and other people who lose their jobs. We need a more permanent and reliable form of support to assist workers to cope with labour market disruption both regionally and nationally. Future labour market disruption is expected to lead to more frequent worker displacement and possibly an increase in income inequality and in non-standard work.
- I note there is a spectrum of choices for supporting those losing jobs, s 9(2)(f)(iv)
s 9(2)(f)(iv)
- The options have different costs and benefits. And the best option depends partly on what we're trying to achieve through better supporting people who lose their jobs. For example:

s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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Welfare-based options

- Welfare-based options would build on MSD's existing strengths in employment support, and ensure alignment with income support policy and delivery.

- s 9(2)(f)(iv)

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- The Welfare Expert Advisory Group report recommended improving support for displaced workers. It also recommended moving income support settings over time to be more neutral on the impact of being in a relationship.

Insurance-based options

- s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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Further work

- I appreciate any change will take some time to implement. We need significant further work on the possible delivery and operation of a scheme to work out what is implementable.
- As part of further work, officials can:

s 9(2)(f)(iv)

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