



Future of Work Tripartite Forum Strategic Assessment

Priorities for New Zealand's Future of Work

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BusinessNZ 



New Zealand Government

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Foreword

Work is an important way to earn an income and support our whānau. It's also through work, both paid and unpaid, that we contribute to our communities and make social connections, learn new skills, and gain a sense of fulfilment. Decent work is one of the best means for social and economic advancement and is critical to supporting a growing and transforming economy.

However, the world is changing. We see four broad global trends likely to shape the future of work within New Zealand: technological progress, demographic change, globalisation and climate change. There remains uncertainty about how these trends will play out in New Zealand and the challenges they may pose.

By taking action today, in accordance with our values and the outcomes we desire, we can turn those challenges into opportunities. Our vision is a strong economy that provides decent jobs, higher incomes and more opportunities for current and future generations.

In order to co-ordinate the decision-making of government, business and unions in seizing the opportunities of the future of work, the Future of Work Tripartite Forum was established in August 2018. The Forum was established in recognition of the fact that business, workers, and the government will create better solutions for economic challenges if they work together in partnership. The Forum is committed to working together to ensure the best outcomes for all New Zealanders.

The Forum was started with an ambitious work programme, and considerable progress has been made on its initial set of priorities, as highlighted below. This includes the announcement of additional funding for employer-led literacy and numeracy programmes, the development of the Skills Shift initiative, adoption of high-performance high-engagement models in the public sector, and development of the Industry Transformation Plans. The Forum has also provided a tripartite perspective on a range of major Government initiatives, such as the reform of vocational education.

To maintain this momentum, the Strategic Assessment of Future of Work Priorities was commissioned by the Forum to identify future priorities for the Forum, which could benefit from taking a coordinated tripartite approach. This document presents the five broad strategic themes that will guide the Forum's strategic direction, and four areas that are the Forum's immediate priorities. These themes are also in alignment with the shifts identified in the Government's Economic Plan, to transition the economy to be more productive, sustainable and inclusive.

The launch of the Strategic Assessment is an opportunity to reiterate the Government's commitment to tripartite engagement across all policy related to the future of work and economic transitions. To provide greater support to the Forum going forward, a Future of Work unit is being established within MBIE, and the organisational arrangements of the Forum will be adjusted to allow greater input from social partners into strategic decision-making.

The Strategic Assessment is the first next step in an on-going korero. The journey to create a future of work that lifts the well-being of all New Zealanders will be a challenging one. However, by working together we can manage the transition ahead of us in a way that is productive, sustainable and inclusive so that all New Zealanders can benefit.

Major accomplishments of the Forum to date

- › The Government has recently announced additional funding to support literacy and numeracy training in the workplace. This initiative came directly out of a Forum meeting, and will led to nearly \$45 million in the employer-led workplace literacy and numeracy fund between 2019 and 2022.
- › The Forum championed a Manufacturers’ Network pilot programme to address the skills shift needed to help the manufacturing sector meet the challenges of automation and artificial intelligence. The work coming out of this project provides practical advice to businesses in preparing for the future of work.
- › The State Services Commission is working with three Government agencies and the Public Service Association on implementing high-performance, high-engagement practices in the state sector to raise worker engagement and productivity. These pilot schemes are a direct result of Forum advice.
- › The Forum championed the development of Industry Transformation Plans as a means for addressing future of work issues. The Government subsequently developed its industry policy From the Knowledge Wave to the Digital Age signalling the development of Industry Transformation Plans in key sectors to take advantage of the opportunities that technology presents us.



Hon Grant Robertson
Minister of Finance



Kirk Hope
Chief Executive Business NZ



Richard Wagstaff
President, Council of Trade Union

Summary

The future of work is being shaped by four broad global megatrends: technological progress, demographic change, globalisation and climate change. These trends will impact what kind of work is done, who does it, and where and how it is done.

There remains a high degree of uncertainty about how these megatrends will impact New Zealand, and the scale and timing of those impacts. The megatrends will impact on different countries in different ways and at different times, and their impact will be filtered through a number of local factors, such as regulatory practices, social norms and political pressures.

Amidst this uncertainty, the future of work presents both opportunities and risks for the well-being of New Zealanders. The Forum sees opportunities to seize on these trends to generate more and better jobs, to increase productivity, raise living standards and wellbeing, and achieve greater equity and economic, social and environmental sustainability for all New Zealanders. Improving the quality of employment is central to achieving a better future.

But there are also risks, as the skills required to keep pace shift rapidly, tasks currently undertaken by workers are automated and workplace organisation changes. The rate of skill obsolescence and worker displacement may increase, and could have impacts on income inequality and lower employment standards. Through digitalisation, there are heightened risks to personal and professional privacy rights, surveillance and continuous pressures to be tuned in and available for work at any time.

Government, business and unions all have a role to play in seizing these opportunities and mitigating the risks, both individually and collectively. The Future of Work Tripartite Forum was established to co-ordinate the responses of government, business and unions for future of work issues. At a broad level, the three partners have common goals: to see a productive economy that generates good jobs, and to see that risks and rewards of economic transitions are fairly shared across groups and generations. The Forum recognises that achieving these goals will require work across five broad themes:

- › Creating more adaptive and resilient institutions
- › Raising workplace productivity and wages
- › Responsive skills systems enabling learning for life
- › Helping workers find and keep decent jobs
- › Protecting vulnerable workers

The Forum has a unique role to play both within and across all these themes. Within each theme, there are work programmes currently being pursued by government, business and unions. The Forum has identified some of these work programmes as areas of particular focus, where the Forum is in a unique position to aid in policy design or implementation, champion change on the firm and worker side, and share exemplars. These priorities are:

- › Shaping the strategic direction and focus of Industry Transformation Plans
- › Identifying priorities to facilitate in-work training and lifelong learning
- › Identifying priorities to support workers who are displaced or at risk of displacement
- › Advising on options for better protecting non-standard workers

This document makes the strategic case for each of the five themes, sets out the problems and challenges facing New Zealand in each theme, and identifies work currently underway, with a focus on the role of the Forum and how it can make a difference.

FoW Trends

- › Technology
- › Globalisation
- › Demographic changes
- › Climate commitments and adaptation

Economic and Social Disruption

Opportunities

- › New ways of working
- › More and better jobs

Challenges/risks

- › Rapid change in skill needs
- › Transitional unemployment
- › Wider inequalities
- › Adequacy of labour protection laws

Strategic Response

- › Creating more adaptive and resilient institutions
- › Raising workplace productivity and wages
- › Responsive skills systems enabling learning for life
- › Helping workers find and keep decent jobs
- › Protecting vulnerable workers

Forum Priorities

- › Shaping the strategic direction and focus of Industry Transformation Plans
- › Identifying priorities to facilitate in-work training and lifelong learning
- › Identifying priorities to support workers who are displaced or at risk of displacement
- › Advising on options for protecting non-standard workers



01

Theme One: Creating more adaptive and resilient institutions

Why does this matter?

Adaptive and resilient institutions will better position New Zealand to respond to a variety of possible outcomes. Uncertainty about the speed, severity, and size of future of work changes means we need institutions that can effectively respond as needs, opportunities and issues unfold. The need for adaptive and resilient institutions is a cross-cutting theme that is relevant to all of the strategic themes in this report.

Future of work trends will test underlying information, incentives and co-ordination issues, and finding optimal responses will require government, business, unions and others who influence the nature of work.

While our focus is on labour market regulations and policy, it is also important that the education, welfare and health systems are made fit for purpose and align well with the world of work. These core social institutions are vital to supporting people's health, wellbeing, and readiness for work. We also need to align our labour market interventions with broader economic goals and strategies.

Currently, many New Zealand institutions may not be well-placed to respond to very rapid or widespread change. New Zealand has room to improve its ability to share information, and provide aligned and co-ordinated responses to future of work challenges. These opportunities will be addressed in greater specificity in each of the four other themes.

In particular, tripartite co-ordination can be enhanced. Central government provides some co-ordination and labour market intelligence functions, such as national statistics, Ministry of Social Development job support services, assessing immigration needs and sometimes establishing regional plans. However government does not have access to the insights or data belonging to businesses and unions and holds only some of the levers to respond to future of work changes.

What are we doing about it?

Some new institutions have been established to respond to future of work challenges. The Tripartite Future of Work Forum and Just Transitions work programmes will go some of the way towards creating adaptive and resilient institutions to meet future challenges more broadly. More broadly, government is embarking on a wide-ranging process of reform of education, welfare, health, and labour market settings to meet broader well-being goals. The Forum can monitor how well these reforms are preparing us for future of work challenges.

There is further work planned over the medium to longer term. Improvement needs to be made to New Zealand's systems for supporting ongoing work-based skills development, transitions for displaced workers, and industry development (all of which will be discussed in the relevant strategic themes).

Looking forward, there will be a growing need to build capability in gathering labour market insights and data modelling, better information sharing structures and co-ordinated, collaborative action on both a national, regional and industry basis.

What is the Forum's role?

The Forum will play a key role in creating institutions that respond to the future of work. All of the Forum's immediate priorities will involve the development of responsive institutions: whether supporting workplace productivity and wage growth, lifelong learning, displaced workers and vulnerable workers.

The Forum is also well placed to champion the work of the Just Transitions programme, in particular the Taranaki Partnership. Business, iwi, farmers, government, unions, climate groups and other groups in Taranaki are working together to support an entire region to transition away from the oil and gas industry to more long-term sustainable industries. While other tripartite groups will directly support this work, the Forum wants to remain informed of progress as a potential model that can be applied elsewhere.



02

Theme Two: Raising workplace productivity and wages

Why does this matter?

Productivity is critical to New Zealand's long-run economic success. In turn, the economic growth stemming from productivity improvements can lift New Zealanders' well-being: firms can offer better quality jobs with higher wages, and government can invest in infrastructure and health and social services.

Currently, New Zealand's levels of productivity and income may not support the general level of well-being we aspire to in the future. New Zealand's level of labour productivity is below the average of OECD countries and wage growth has been low over recent years.

Lifting productivity will involve addressing a number of distinct challenges. New Zealand is a small isolated economy, with poor trade and financing connections, and firms that face limited competitive pressures. Incorporating productivity-enhancing innovations require a number of related investments, into R&D, education and training and new managerial and organisational capabilities.

Labour markets play a crucial role in enabling and incentivising innovation and adoption of technology in firms. In part, this comes from the movement of workers with specialised technical skills between firms, which aids with the adoption of technological advances. But a firm's ability to innovate also depends on the adaptability of its organisational structure, and the quality of its management practices: that is to say, are the firm's managers able to support the establishment and maintenance of a culture of work that promotes good and productive work practices? Management techniques that are facilitative rather than directive, based on high trust, and making the most of employee skills, can assist in lifting firm innovation. From the worker's side, job security and higher wages increase the returns from investing in training and contributing to firm innovation. As a result, workplace culture is a key issue for raising productivity.

High productivity also requires on-going development of worker skills. While the education system lays the foundation for a worker's skillset, the work place is where those skills are developed and maintained.

Productivity growth is not an end in itself. The Forum is interested in it to the extent that it promotes greater well-being. One of the aims of the Forum's work will be to monitor the extent to which workers have a fair share of productivity growth to which they contribute.

What are we doing about it?

A number of work programmes currently underway will help spur industry development. The Government has recently launched *From the Knowledge Wave to the Digital Age – Growing Innovative Industries in New Zealand*. This document sets out the Government's new Industry Strategy that will see the Government working with industry and other partners to deliver productive, sustainable and inclusive growth across key industries.

The Industry Strategy is focused on developing Industry Transformation Plans (ITPs). At their core, the plans will define an agreed long-term vision for the industry out to 2050 and outline the actions required to realise that vision. These plans will bring a range of perspectives to the table with a strong focus on medium to long-term transformation. At this stage four industries have plans in the pipeline, and six more industries have indicated interest in developing plans in the longer term.

To address future of work trends, ITPs will have a role in unpacking how those trends will impact different industries and worker groups, and the implications for current and future skill needs. This work will be further supported by the development of new institutions such as Regional Skills Leadership Groups (RSLGs), and Workforce Development Councils (WDCs).

There is further work that is being done over the medium to longer term. There are longer-term questions about how the labour market contributes to technological growth and innovation, and the Forum has an interest in further investigations in this area.

What is the Forum's role?

The Forum will focus on shaping the strategic direction and focus of Industry Transformation Plans. The Forum is well placed to ensure that these plans are developed with the broad interests of businesses and workers.

While Industry Transformation Plans are being developed in accordance with Cabinet direction, the Forum has broader concerns around industry and workforce development, in particular how industry planning can support worker transitions, or declining or stagnant industries.



03

Theme Three: Responsive skills systems enabling learning for life

Why does this matter?

A more responsive skill system, that enables learning for life, can produce better outcomes for workers and businesses. Future of work trends may result in fast changes in skill requirements and higher rates of jobs created and destroyed. A responsive skills system will be critical to raising workplace productivity and helping displaced workers address their future earnings and employment prospects. Education also helps people advance their own personal development, and broaden their understanding of the world. Institutions will need to adapt to achieve a system of learning for life.

Traditionally, skills systems have emphasised substantial early investments in formal education and training, followed by a working career drawing on that early investment. In a world where the nature of work changes rapidly and continuously, one-off early investments in education and training are unlikely to be sufficient. A “life-long-learning” system, by contrast, would enable workers at all ages and life-stages to access education and training, so that periods of learning occur more frequently and as needed throughout a working career. To be effective, that education and training should be relevant, accessible, timely, and of a high quality.

Opportunities to up-skill and retrain, in particular, can ensure that workers’ skills remain relevant and workers keep refining skills. Through maintaining and developing new skills and competencies, workers are less likely to be displaced due to technological change, and more likely to find suitable work rapidly in the event of displacement.

The role of firms is particularly important in a life-long learning system since many of the people who need to retrain and upskill are already employed, or are seeking employment. Firms play a key role in providing and enabling learning opportunities, including formal training leading to a credential (for example, industry training), non-formal learning activities that do not result in a credential (typically courses of less than 50 hours total), and informal learning such as taking on new tasks and reflecting on work experiences. Further, encouraging learning and working at the same time reduces one of the most significant costs of learning to individuals – forgone earnings.

A responsive system can also address existing issues with New Zealand's skill system. A substantial minority of the current workforce has low foundational skills that are an impediment to further skills development and productivity growth. While more students have been leaving school with an NCEA Level 2 certificate- regarded as a key foundation to further training and employment- New Zealand's education system continues to underserve its fastest growing young populations- Māori and Pacific Peoples.¹

There are also issues with skills matching. New Zealand currently has a greater proportion of highly qualified workers than many other countries, and the skill level of those workers is comparable to other countries.² Despite this, New Zealand tends to experience relatively smaller returns to qualifications compared to other OECD countries, and international data suggests New Zealand has a relatively high level of over-qualification compared to the OECD average:³ this implies that New Zealanders have difficulty finding work that makes best use of their skills. On the other side, employers consistently cite difficulties accessing the skills they need.⁴

What are we doing about it?

A number of work programmes currently underway will help enable learning for life. The most significant recent development in the skills system is the Reform of Vocational Education (RoVE). The RoVE is a fundamental reform of the delivery of vocational education that is designed to create a strong, unified, sustainable system for all vocational education that delivers the skills that learners, employers and communities need.

RoVE is intended to facilitate training and upskilling by making education providers responsible for arranging all workplace vocational training, and for supporting learners. This will enable a more seamless transition between work and training systems. The proposals to bring two separate systems together (i.e. industry training and provider-based) will enable all learners to move between workplace-based, provider-based and online education and training more easily. At the moment it is very difficult to do this. The vocational education reforms will be supported by the development of a new unified funding system.

Other significant reforms aimed at shifting New Zealand's skill system include:

- › The recognition and encouragement of micro-credentials: short courses focussed on a coherent set of competencies
- › The Fees Free policy makes post-secondary education and training more affordable and promotes skills development for those without a tertiary qualification
- › The revamped online services delivered through the Careers System Strategy are designed to provide better and more relevant information and reduce the duplication and fragmentation of what is available
- › At the local level, the Government intends to establish Regional Skills Leadership Groups that will develop and implement Regional Workforce Plans that reflect local labour market dynamics and anticipate and meet workforce needs

There is further work intended over the longer term. The vocational education reforms will take the next few years to fully bed in. The development of a unified funding system will need to occur alongside work to consider employer incentives and contributions to education and training, and future directions for learner contributions through fee regulation and expansion of Fees Free entitlement.

What is the Forum's role?

The Forum will focus on identifying priorities to facilitate in-work training and lifelong learning. In the short-term this will involve working collaboratively on identifying the key challenges and barriers to employers offering in-work training.

The Forum also sees a role in championing the need for workers to take an active role in identifying their own learning/reskilling needs, and for firms to become more active in providing training opportunities. As part of this the Forum can identify and promote exemplars of best practice.

1 These groups are improving at a faster pace than the national average but nonetheless continue to be over-represented in poor achievement statistics across the board.

2 Treasury, (2018), *The Role of Skills in our Economic Strategy: Issues paper*

3 Ibid.

4 Treasury (2017), *The performance of New Zealand's current labour market settings: a background note*



04

Theme Four: Helping workers find and keep decent jobs

Why does this matter?

Involuntary job-loss can have adverse impacts on workers, communities and broader society. The immediate impacts of an involuntary transition can include unemployment, underemployment, and loss of income even when a worker is fully re-employed.

Future of work trends may bring about increased levels of involuntary transitions. One consequence is that existing workers could be displaced from their jobs because those jobs cease to exist, or because the nature of those jobs changes so much that workers no longer possess the skills required to perform them. The numbers of displaced workers are expected to increase significantly as more and more complex tasks become automatable. With the rise of artificial intelligence (AI) and machine learning, for example, even highly skilled roles are capable of being automated.

In the long run, economies do tend to adjust to technological and other disruptions, becoming more productive, and returning to full employment. Businesses routinely adopt new technologies and restructure tasks previously reliant on human labour (for example, self-check outs replacing operators in supermarkets) or cease to exist entirely (for example typists and telephone operators no longer exist). This can be a difficult process, as New Zealand's experience of systemic economic restructuring through the 1980s and 1990s demonstrates.

More managed transitions can reduce adverse impacts on workers and their communities. In the New Zealand context, there are significant opportunities to enhance each element in the framework. Recent reports (from OECD and WEAG) have criticised the level and availability of financial support for displaced workers.

The benefits system provides a safety net for eligible people out of work, and there is a system of tax rebates for people on low incomes, with packages targeted especially for families. But take-up and eligibility for the means-tested benefits is low, and while private income insurance is a growing market, there is no state provision of income or redundancy insurance. New Zealand's rates of redundancy payments are comparable with other OECD countries, but some of the most vulnerable workers are often not protected by their employment contracts.

Employment support tends to be closely connected with access to most benefits, so access to this type of support is also limited in practice. It is difficult for workers to access the education and training they need when they have lost their jobs and it is clear that a big shift is needed to move towards the type of lifelong learning model that would insulate workers against technological redundancy.

What are we doing about it?

A number of work programmes currently underway will help workers find and keep decent jobs. The most important initiative is the Welfare Overhaul. Through the Overhaul, the Minister for Social Development proposes to expand MSD employment services over time to support more people experiencing difficulty finding and staying in suitable employment. This is likely to include enhancing MSD's proactive responses to larger scale redundancies, and the availability of active employment services. The Overhaul will also review the adequacy of current welfare payments.

A number of education and skills related initiatives will benefit displaced workers. The Reform of Vocational Education is intended to ease access to vocational training, and the Careers System Strategy is intended to improve the availability and quality of careers advice to workers.

There is further work needed over the longer-term. Existing initiatives may collectively enhance the support for displaced workers, and contribute to smoother employment transitions. There remain broader questions around long-term income adequacy, and responding to larger-scale redundancies.

What is the Forum's role?

The Forum will focus on identifying priorities to support workers who are displaced or at risk of displacement. At the moment this involves partners collectively creating a problem definition, but over the longer-term may involve jointly developing advice on options for displaced workers.

The Forum also expects to play a role in championing the need for firms and industries to take a more proactive approach to supporting displaced or transitioning workers (through Industry Development Plans or similar workforce development planning processes), and identifying good examples where this is happening.



05

Theme Five: Protecting vulnerable workers

Why does this matter?

New Zealanders have expectations about what constitutes an acceptable level of job quality, which is enforced by legal and regulatory protections. Future of work trends may create new kinds of work that sit outside these formal protections. Legal and regulatory protections for workers have been developed around assumptions of a standard of employment that is mostly permanent and often full-time, with clearly defined expectations around working conditions. New forms of work are emerging that have not been accounted for in that model, and non-standard workers with low bargaining power may suffer from poor conditions and a more precarious state of employment.

Furthermore, there have been general trends that reduce worker bargaining power, which in turn increases worker vulnerability. Such bargaining power may be weakened from high barriers to job mobility (which include search costs, cost of relocation, or regulatory barriers such as licencing rules and non-compete clauses). It may also be weakened by the emergence of dominant players with effective monopsony power (this has already been observed in some high-tech industries in the United States). Other possible contributors to declining bargaining power include declining trade union membership and weaker bargaining institutions.

Future of work trends may also create challenges for what constitutes an acceptable level of job quality. Finally, technology can undermine worker autonomy and independence, key indicators of job quality. Technology can enable a type of 'digital Taylorism' in which employees are closely monitored and have little to no discretion on how to perform a task. This risk is not limited to low-skill workers: increased ease of communication can create expectations of constant availability for professionals.

Legal and regulatory protections need to reflect changing practices and norms. Non-standard employment does not inherently bring about a greater risk of bad outcomes, but has diverse effects. Issues emerge when individuals are financially dependent on a single employer (dependent contractors), or are financially dependent on one or more parties and also have limited control over the work they do (false self-employment). In these cases, the workers tend to be in a vulnerable position, lacking both the employment protections offered by law, as well as the ability to negotiate a better deal.

Current trends are creating a grey zone between employee status and self-employment. In New Zealand platform workers are classified as self-employed, but often have limited control over how they work (i.e. they cannot fix prices, cannot choose the order of their tasks). This is not an issue that has been created by the platform economy however: many workers have faced similar issues in the past.

What are we doing about it?

A number of work programmes currently underway will help protect vulnerable workers. Currently policy developments are focused on measures in three broad (and inter-related) areas: increasing the bargaining power of workers, improving protection for non-standard workers, and increasing income adequacy.

To increase bargaining powers of workers, Government is establishing Fair Pay Agreements (FPAs). FPAs are intended to set fair, basic employment conditions (including wages) across an industry regardless of a person's employment status or form of work.

In improving protection for non-standard workers, the current focus is on dependent contractors.⁵ This involves considering near-term changes to improve clarity and understanding, make it easier and less costly for contractors to challenge their status and contract terms, and improving compliance by strengthening monitoring, penalties and enforcement.

There is further work needed over the longer-term. Increasing income adequacy in-work is a longer-term issue. Currently, the minimum wage is the most direct policy lever for influencing wage levels, particularly for low-wage workers. The government has a policy of paying the Living Wage to employees in the core public service. The tax-transfer system supplements market income for a large fraction of the workforce, especially those with family responsibilities.

What is the Forum's role?

The Forum will focus on advising options for better protecting non-standard workers. The Forum also intends to play a key role in shaping the debate about the benefits and costs of new ways of working, identifying what constitutes a vulnerable worker, and our expectations around decent and dignified working conditions.

⁵ Dependent contractors are dependent on one firm for the majority of their income over a certain period of time

New Zealand Government