



Submission

By

The Employers and Manufacturers Association

to the

Productivity Commission

on the

Technological change and the future of work,
Issues paper April 2019.

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About the EMA

The EMA has a membership of more than 8500 businesses, from Taupo north to Kaitaia, employing around 350,000 New Zealanders.

The EMA provides its members with employment relations advice from industry specialists, a training centre with more than 600 courses and a wide variety of conferences and events to help businesses grow.

The EMA also advocates on behalf of its members to bring change in areas which can make a difference to the day-to-day operation of our members, such as RMA reform, infrastructure development, employment law, skills and education and export growth.

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Introduction.

Thank you for the opportunity to make a submission on the Technological Change and the Future of Work, Issues paper April 2019. The challenges and opportunities created by the changing workplace and work itself are numerous. NZ business must be well informed and equipped to take advantage of these opportunities as well as have the tools to mitigate the challenges. Compounding all this work is population longevity and a declining birth-rate. These two issues alone have profound impacts on the NZ workplace and its ability to be productive, sustainable and create wealth for all New Zealanders.

The Employers and Manufacturers Association (N) represents around 4000 members in a region that covers the far north down to Lake Taupo. The membership covers all industry sectors and all business sizes. The EMA (N) has a duty to our members to keep them informed on what changes are being planned that will both positively and negatively alter the way they manage their business. We are actively encouraging our members to be more proactive in this space to enable them to mitigate the slow and unrelenting changes that are unfolding. This submission will focus its comments around the ageing population/ ageing workforce in the main.

General comments.

1. We note figure 1.1 the information describing the increase in NZ workers incomes since 1860 and more particularly from the 1990 onwards. This seems at odds with union demands for higher pay, less working time and more labour protection law. We also note that the 1990's brought in massive labour reform in the form of employment contracts rather than centralised wage bargaining regimes used prior to that time.
2. We also note figure 1.2 that employment in the services are expanding rapidly at the expense of primary industries and production. We expect to see this continue.
3. We note that throughout the document there has been scant mention made to the ageing population/ workforce and a declining birth rate both of which underpin the future of work discussions. We **recommend** that the ageing workforce and declining birth rates are introduced into the discussion re the future of work. See MSD Draft Strategic plan "Better Later Life 2019- 2034" and the White Paper Act now Age later, Unlocking the potential of our ageing workforce. Both these documents outline the challenges and gains to be made by utilising the current and productive cohort of mature workers.
4. We note the two main issues outlined on page 3,



- a. Future impacts of technological changes and disruption on the future of work, the workforce, labour markets, productivity and wellbeing.
- b. How can the NZ government better position NZ and the greater population to take advantage of innovation and technological change....

Specific comments.

1. The figure 2.1 on page 5 sums up quite well the range of issues, however when this picture is viewed using an ageing workforce and decreased birth rate lens the story is not good.
2. **Technologies create new jobs.**
 - a. Given our decreased birth rate and static work force numbers (excluding immigration) the only population left are those who are 55 plus through to those 65 plus and beyond. Is it these people who are going to take up the new jobs? Given there will be some new jobs created and some existing jobs will terminate it still begs the question where are the new workers going to come from.
 - b. There needs to be a formal education programme designed to assist older workers to remain and or return into the workplace. Given many older workers need to continue to work retraining will be vital. Those who are already workers will need a continuous programme to maintain their employability going into the future.
3. **Reduce demand for workers.**
 - a. As the research predicts there will be a large population of workers moving from existing employment into no employment and hopefully then onto new but different jobs. They will need access to ongoing retraining to maintain their employability.
4. **Increase demand for workers in existing jobs.**
 - a. More demand for products and services is predicated on a market with money to spend. Given people may and will be out of work for a time spending may well take a second level of importance. Being out of work will necessitate more savings when in employment to carry families over in times of no employment. Following the assumption that more technology creates more production that then creates more public spend is only correct when the market has full employment. Even with full employment workers discretionary dollar is being targeted by numerous other must haves. We see



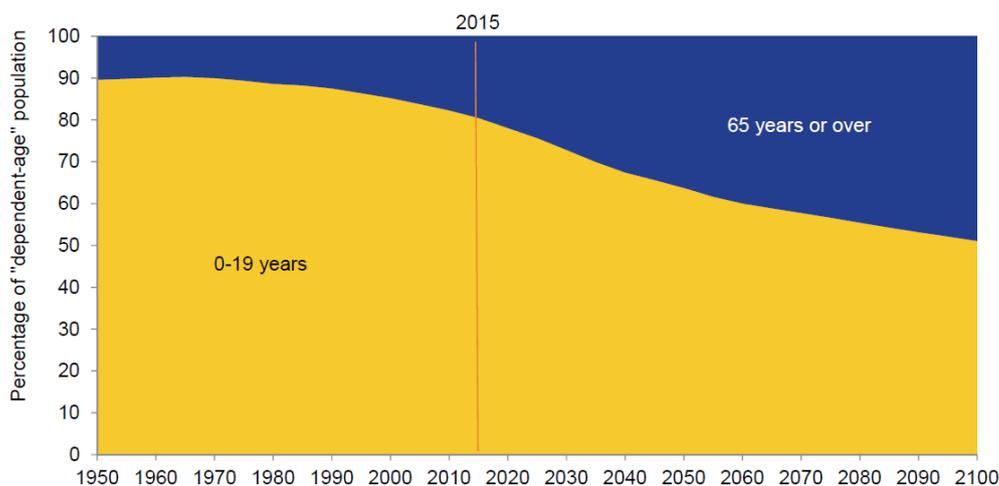
the recent ASB/ANZ banking survey (May 2019) shows that employees are saving less and only have a small amount of nett assets.

- i. Of 350,000 Kiwi Savers the average saving was \$50 per week totalling round \$70,000 or just \$75 per week on top of superannuation payments. This equates to around 2-3% of take home pay whereas in Australia the rate was 9% and in Asia it is 12%.*
 - ii. Peopled needed to save \$600,000 to have \$40,000 pa.*
 - iii. The current saving rate is \$530,000 short.*
- b.** The housing/rental markets are full on so that often leads to less disposable income to spend on the newly created products manufactured by some robot.

5. Changes the economics of different work arrangements.

- a. We are seeing a huge increase in the service sector and this is predicted to increase further as tourism expands.
- b. The work arrangements are changing at the same time there are skill and labour shortages. Older workers are actively looking at these roles but due to unconscious bias and in some cases real discrimination they do not get past an application stage. In a world that has a decreased birth rate (except Africa, India and South America) we are simply running out of workers. The labour demand/ population predictions all paint a deficit.

Children and young people aged under 20 years and older persons aged 65 years or over as a percentage of the global population in the dependent ages, 1950-2100



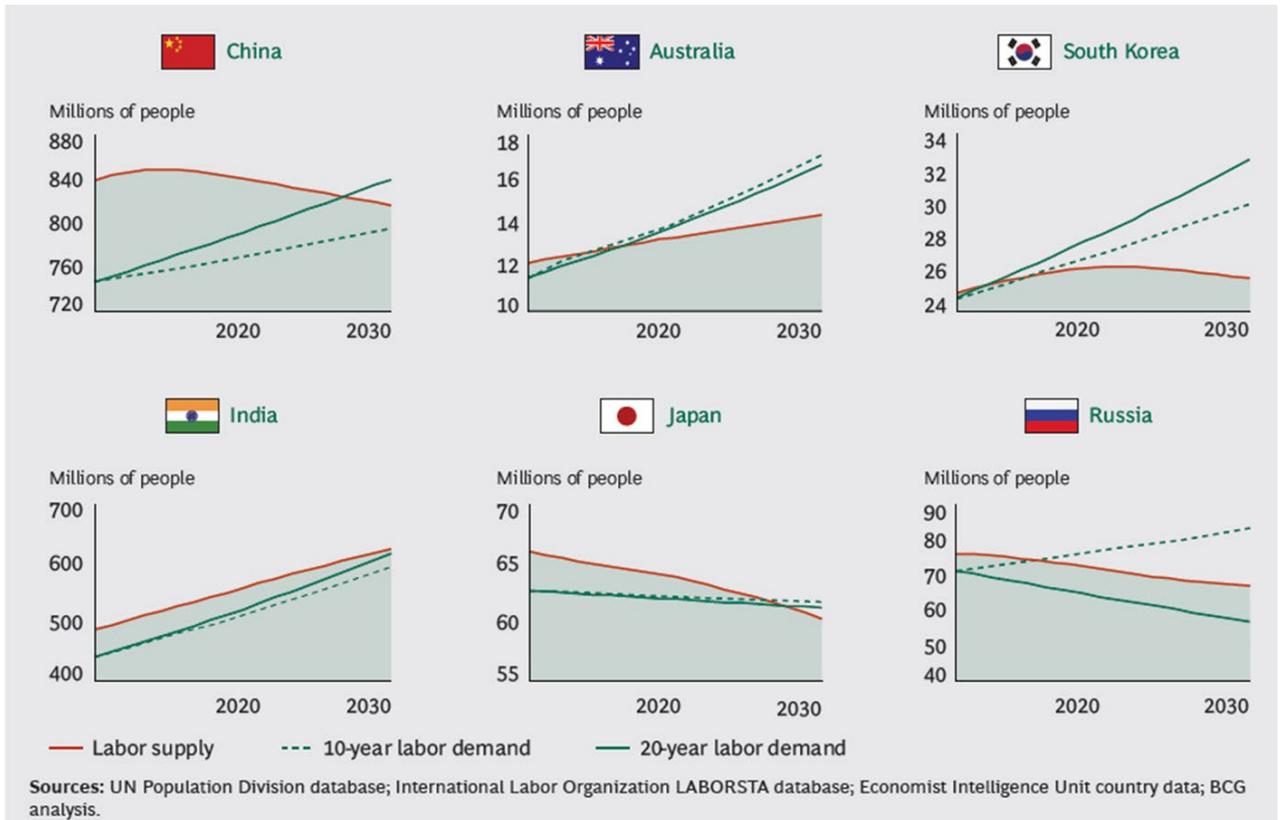
Data source: United Nations (2015). *World Population Prospects: The 2015 Revision*.

Figure 1. Projected Change in the Working-Age Population (15-64) 1970-2010 and 2010-2050



The workforce outlook in Europe and parts of Asia is worrisome. Economic growth may be significantly hampered by a shrinking workforce in the coming years. The situation in the Americas appears better. But consumer demand is projected to grow as the overall population ages. Organizations seeking a piece of that growth may feel pressured to achieve higher performance with fewer people.

Source: Deloitte Research/UN Population Division (<http://esa.un.org/unpp/>)



Sources: UN Population Division database; International Labor Organization LABORSTA database; Economist Intelligence Unit country data; BCG analysis.

- c. So NZ will be competing for immigrant labour to make up its short fall. Granted there will be a cohort of current workers who will remain in employment but with different employers and doing different work we will still need more workers.

6. Page 15 refers to a “likely increase demand for education and training including from displaced workers and those in employment and a greater need for more flexible

delivery of options for training. We totally agree with this statement. We would also add that older workers will be included into this scenario and possibly account for 1.24 million (65plus) by 2034. They also will be looking and demanding more education and retraining. We note at the time of writing this submission that the Tertiary Education Commission (TEC) there was no mention of aging workers, older students or lifelong learning on their web page. They remain focused on young workers and vulnerable populations. We suggest the number of new young workers is diminishing.

7. Policy goals for wellbeing and the future of work. Pg. 18/19. We note the discussion here but would add that with current coalition labour policy setting we are seeing less flexibility (Collective Employment Agreements (CEA's), future Fair Work Agreements (FPA's), artificial interventions such as increases of 28% to the Minimum Wage, Domestic Violence Leave provisions, etc. While all these have merit and hard to argue against the reality is that small to medium employers simply cannot pay these extra costs. What they do is cut hours, cut staff, or as in France close the business. We recommend that changes to Government policy in this area be required to look at unintended consequences and consider mitigation of the policy before it is implemented.
8. The union narrative around productivity is to pay fairer and higher wages to lift productivity. If this was as simple as more pay means higher productivity we would pay all staff \$100 per hour. It simply isn't that simple. The costs of running a business along with all the compliance costs is enormous. Often SMEs are running their business as pay as we earn style and their drawings (pay) would be less than what is demanded by legislation.
9. We note that all the research around an ageing workforce and older workers is all about having flexibility in and around work, but what we are seeing unravel in NZ is a policy of tightening up labour legislation. Thus would seem to be counter intuitive.
10. Under the new amendments to the Employment Relations Act we have seen the 90 day trial period being reduced to those who employ less than 20 staff. This was on the back of the research noted on page 21 of the discussion document (Chappel and sin 2016). However a more recent MBIE report suggests that the 90 day trial periods were in fact very beneficial to workers and employers. The report highlighted some 60,000 new jobs being filled under the 90 day trial provisions. This was also backed by EMA's own survey which verified that jobs taken up and or created under the 90 day trial provisions remained employed for at least 18 months beyond the date of engagement. The point is that now employers are facing huge risks when engaging



new workers who have been out of work or have low skills. They constantly report the difficulty in finding good and new staff. This is compounded by changes to immigration rules that end up by requiring some 4- 6 months to pass just to progress a normal application process.

11. In a recent report demonstrating rigid labour laws Spain was going through a recession especially in the construction sector yet workers received a 5% pay increase, employers had to lay off staff in response to these rigid regimes.
12. We note the discussion on page 22 around how work is described now and what it may be in the future. The courts are also grappling with the question are you an employee, a contractor or self-employed. Whatever the final outcome one thing remains employers will still require a skilled, mobile and flexible work force. As we have shown the labour supply situation is worsening and Governments will need provide both security and flexibility in labour market policies.
13. Education. Page 40. We concur that business needs to be alongside the education sector to develop and align business and commercial needs with academic acumen. School leavers must be work ready and have a range of both hard and more importantly soft skills for the future market needs.
14. Micro credentialing has been suggested as a way forward. We would agree with this notion, however we suggest there needs to be some oversight over this to ensure the “micro” doesn’t get too narrow and small.
15. Career education within NZ needs to be improved drastically. The old and current job for life notion died years ago. Funding for career advisors has reduced as the competition for funding increases. If the Government wants to invest then this work is very important. Monies and time spent here will put people on a journey that has no end, and will include the notion of maintaining their employability and learning for life. Employers do have a role here but as employers may well move from employer to employer the question of who pays for this education is important. We **recommend** there be some subsidy or tax relieve for ongoing employee training.
16. Wide spread use of high performance workplace practices (HPWP). We agree that this programme can and does work however there are several limiting factors.
 - a. If the CEO leaves (or key driver) the programmes fails.
 - b. It really only applies to larger companies. This is not to say it cannot work in smaller ones but research would suggest the opposite.
 - c. The discussion document identifies other limiting factors as described by Fabling and Grimes 2014.

- d. We would suggest that this programme and others like it are not silver bullets but rather a tool in the tool box that could be used.



- 17. Weak management skills. Page 46. We agree there needs to be a lot more done to provide education, mentoring and advice to NZ management. Historically they became managers by default, or time spent rather than actual skills they have. Management training has a low pick up indeed even Director training is not widely undertaken. We have a long way to go .