Compulsory redundancy compensation on the cards?

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Could we see ACC or Kiwisaver style unemployment accounts requiring mandatory contributions from employers and employees?

The Government's Productivity Commission has released its second draft report, "Employment, labour markets and income," focusing this time on technological change and the future of work in our country's labour markets.

Now is the time to have your say as the Commission is calling for submissions until 7 February 2020 on its three suggestions for improving income security in New Zealand, these being:

- Introducing portable individual redundancy accounts;
- Mandating unemployment insurance; and
- Making changes to benefits and tax credits

While the report acknowledged that New Zealand has a high labour market participation, relatively low unemployment and very low long-term unemployment it highlights the flip side to that story – New Zealanders are constrained by the country's 'poor productivity performance'. The Commission summarised:

> High-income economies are characterised by highly skilled workers with high capital-intensity jobs and the rapid uptake of emerging technologies. These features drive a high output per hour worked – that is, high labour productivity – and support high incomes and living standards. By contrast, the New Zealand economy appears stuck with low wages, low productivity growth and low technology adoption, compared to better performing countries.

Rapid uptake of emerging technologies is a critical factor driving high-income economies, high capital -intensity jobs, and consequently higher labour productivity. It is no secret that emerging technological change will eventually result in job losses, but if implemented well, people will work the same amount (or less) and be paid more. The Commission says that as technological change takes hold, there is a risk that naturally the Government might focus on policy that promotes job security. This, the Commission says, puts a handbrake on the economy as firms will hold onto more staff when jobs could be streamlined by machines.

A more favourable balance toward income security (Flexicurity) rather than job security, is said to allow companies the freedom to more rapidly adopt technology as the adjustment costs that are faced (which are highly influenced by job security policy) are low relative to the benefits they anticipate from technology adoption. The Commission's view is that fortifying income security policy will therefore stimulate productivity in our labour market and best allow our economy to maximise the additional wealth created by technology.

The report largely looked offshore for guidance as New Zealand and our Australian counterparts are the only two countries in the OECD that do not have some form of mandated unemployment insurance scheme.

A final report will be issued alongside other recommendations of the Productivity Commission to Government in

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