

9 November 2018

StatisticsNZ
PO Box 2922
Wellington 6011

patrick.ongley@stats.govt.nz

Dear Sir/Madam

Re: Surveying Displaced Workers in the Household Labour Force Survey

BusinessNZ would like to take the opportunity to comment on StatisticsNZ's consultation document, *Surveying displaced workers in the Household Labour Force Survey* (referred to as 'the Document').

As part of the consultation, we note the Document asks 6 questions to which our response is as follows:

1. What purposes do you envisage using the data for?

At a macro level, BusinessNZ would most likely not use the data for any significant purposes. There are two reasons for this. First, it goes without saying that the three types of unemployment (i.e. frictional, structural or seasonal) can typically be identified by examining other economic statistics. Workers are made redundant every day and this is no different from businesses themselves closing down for a variety of reasons. Not only will there be times when certain industries are significantly restructured, inevitably, changing growth patterns will also see lay-offs becoming part of a country's economic landscape.

Given BusinessNZ's membership structure and feedback channels, we are in a relatively good position to get a timely and accurate handle on the reason for redundancies both within the various areas and sectors and across the country as well.

However, one area where data would be useful is in respect to older workers. Current demographic trends and immigration settings will mean businesses in the future will have to look more towards older workers if their job requirements are to be met.

2. What are your highest priority information needs?

3. With reference to the potential content listed in Table 2, do you disagree with any of our initial priority rankings, or do you have any information needs which are not covered in the table?

Looking at table 2, BusinessNZ generally agrees with the draft priority settings outlined. However, there are a few points we would like to make:

Characteristics of lost job

- Job tenure: we would change the priority setting from 'medium' to 'high'. In many respects, it is important to analyse job tenure in the context of displaced workers, particularly older workers.
- Union membership: we would change the priority setting from 'medium' to 'low'. Currently, only 8% of the private sector workforce is unionised, so we see little need for union membership to be included.

Circumstances of job loss

- Reason for job loss: While we agree this should have a high priority setting, we would urge a significant degree of caution when it comes to listing the various factors involved and the relationship between them. For instance, job loss might be the consequence of automation following a major restructure made necessary by an economic down turn or the economic down turn might simply have led to business closure. While the issue is discussed further below, StatisticsNZ will need to be very methodical about ensuring the root cause of the job loss is identified. Perhaps a part-answer to guaranteeing data accuracy would be to establish some sort of priority setting.

Consequences of job loss

- Skill utilisation/re-employment trajectory: We would assume a close relationship between the re-employment trajectory and skill utilisation metrics. During the last Global Financial Crisis (GFC), there were many employees who, after losing their jobs, decided to up-skill or train to work in a different industry.
- We also wonder whether it would be useful to ask about the number of jobs applied for within the context of loss. While we accept the fact that with a relatively long time frame it might be difficult to recall accurately the number of jobs applied for, this metric, together with 'time taken to find new employment', it could provide more insight into how displaced workers tackle the process of re-entering the workforce.

4. Ideally, how long do you think the reference period for the questions should be (providing there are sufficient numbers of displaced workers in the sample to produce robust estimates)?

As the Document points out, the 2019 March quarter HLFS will have two questions on whether a respondent has been laid off or made redundant in the last five years.

This will give StatisticsNZ a better idea of the numbers displaced each year and how long a reference period will be required to ensure a reliable estimate.

Our general feeling is that 5 years is possibly too long a timeframe for such questions. While we agree there are potential recall and timing issues when it comes to seeking additional information, we also believe there are more practical policy issues to consider.

Given ever-increasing changes in technology and the subsequent job creation/destruction that goes with them, the reasons why a job was lost 5 years ago might have little relevance not only for the current market but for the near future if policy programmes are established based on the findings. A potential policy programme looking out over a 5-year period would in reality be dealing with a 10-year difference - applying information from a displacement 5 years ago to a job 5 years into the future.

It could also be argued that after 5 years, any data findings would have already been traversed in other research, particularly findings showing trends towards a certain industry or location. The GFC is perhaps the best example of a situation where significant layoffs in certain sectors were well documented.

At most, we think a maximum 3 year window is best. This would cover a relatively recent job, as well as activities such as re-education/up-skilling which an individual might have completed.

5. Do you agree with our proposed inclusions and exclusions?

Overall, BusinessNZ agrees with the proposed inclusions and exclusions. Any situation where an employee voluntarily leaves a workplace or is dismissed for inappropriate reasons should not be included.

In addition, the Document states that "*We may give further consideration to whether to exclude displacements from temporary jobs (other than at the conclusion of a contract) or trial periods if these are for economic reasons*". BusinessNZ agrees. It would not make intuitive sense to include temporary jobs given the fact both the employer and employee have agreed that the job is not open ended in terms of length of time. Regarding the inclusion of contract work, at the very least, this should be noted in any findings and would, we assume, come through via the employment status question asked in the HLFS.

On the flip side, a decision to include temporary jobs might create the adverse policy outcomes discussed below.

6. Are there any other issues you'd like to comment on?

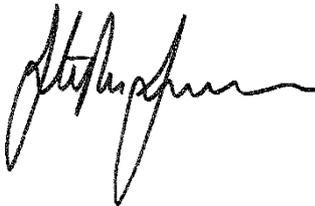
Overall, BusinessNZ does not have any objection to surveying displaced workers in the HLFS. However, as we outlined in our response to questions 2/3 above, we believe the true reasons for worker displacement need to be recorded as accurately

as possible. There are usually two sides to any situation. Displacement from an employee's point of view might be quite different from displacement as seen by the employer. Therefore, we would be interested to know whether there will be any type of checking process to ensure the accurate recording of why workers are displaced.

Last, we also have concerns that the data might be used as evidence to restrict, rather than enhance, the labour market. Unfortunately, BusinessNZ can see a future scenario where the results of the findings are used to paint an unfair picture of the various costs and impacts of displacement on workers. We completely accept that being involuntarily displaced from one's job will always involve a degree of hardship, whether financial, emotional or otherwise. However, the same applies to business owners who have to close their businesses. This also, in many cases, will have a significant impact on their livelihood. In short, such outcomes are simply unavoidable in a relatively free and open labour market. Unfortunately, such occurrences can easily be twisted to justify the introduction of further restrictive practices in relation to redundancy. From a long-term perspective, this kind of approach would have even greater negative consequences for New Zealand as a whole.

Again, thank you for the opportunity to comment, and we look forward to further developments in this area.

Kind regards,

A handwritten signature in black ink, appearing to read 'Steve Summers', with a long, sweeping horizontal stroke at the end.

Steve Summers
Economist
BusinessNZ