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IR POLICY AND GOVERNANCE UPDATE

INTRODUCTION

In this week's Bulletin we consider approaching the horizon whereby we enter the endemic phase of COVID-19, the forecasted family and domestic violence Bill is before parliament, NZ employer accreditation for skilled migrant temporary visas, and we provide a synopsis of the Reserve Banks economic assessment delivered this week.

CAN WE CALL IT ENDEMIC YET?

Although highly transmissible subvariants of COVID-19 have arisen, and case numbers periodically spike, many countries around the world, including Australia and New Zealand have moved away from control type measures experienced in 2020/2021. Although various restrictions including the wearing of facemask in certain circumstances continue, governments are now focussing on COVID-19 as an endemic disease.

COVID-19 can be defined as endemic when it exists at a predictable level that does not require society-defining interventions. Although new variants may come along that turn the progress we have made upside down, governments and health organisations around the world are getting better at predicting levels of COVID-19.

Australia and New Zealand have high levels of vaccination, however the risk COVID-19 poses to the community is a function of the immunity of its members. Immunity protects individuals and reduces risk for people in the community by reducing rates of transmission and lessening the consequences of that transmission. For now, let's remain cautiously optimistic as we move to the end of the year, but now is not yet the time for workplaces to quickly move away from all the behavioural adjustments and safety measures implemented over the last few years, but we are getting closer.

FAMILY AND DOMESTIC VIOLENCE LEAVE BILL

As previously forecast, the Australian federal government has introduced a Bill to parliament that inserts 10 days' paid family and domestic violence leave into the National Employment Standards, which will extend to all full-time, part-time and casual workers.

The entitlement in the Bill would:

- provide ten days of paid family and domestic violence leave in a 12-month period for full-time, part-time and casual employees;
- provide for employees to access paid family and domestic violence leave at their full rate of pay for the hours they would have worked had they not taken the leave, to minimise the financial impact of family and domestic violence;
- extend the definition of family and domestic violence to include conduct of a current or former intimate partner of an employee, or a member of an employee's household; and
- extend the full paid entitlement to all employees when the International Labour Organisation Convention (No. 190) concerning Violence and Harassment comes into force for Australia.

The provision of ten days' paid family and domestic violence leave would also bring the NES into alignment with the practices of many Australian employers who already provide paid family and domestic violence leave through enterprise agreements or workplace policies.

To provide time for payroll and other necessary adjustments, the new paid entitlement would commence on 1 February 2023 for employees employed other than by a small business employer. To recognise the unique needs of small business with limited human resources, an additional transition period of six months would be provided for employers who meet the definition of small business employer in the Act as at 1 February 2023.

Once the Bill is enacted in its final form, we will provide a template workplace policy for members to customise and implement in their workplaces so as to ensure compliance with the new law and entitlement.

NZ SKILLED IMMIGRATION – EMPLOYER ACCREDITATION

Applications are now open for the Accredited Employer Work Visa (AEWV). The AEWV is a new temporary work visa that replaces six temporary work visas, including the Essential Skills Work Visa and Talent (Accredited Employer) Work Visa. Employers can apply for one of four different levels of accreditation.

Where genuine skills shortages exist, accredited employers can hire skilled migrant workers. The AEWV will reduce the risk of migrant exploitation and give more certainty to migrants about the role they're applying for. As part of the new AEWV, employers must be accredited and have completed a job check before they are able to hire a temporary migrant worker.

There are three checks before an employer can hire a migrant worker:

1. Employer check – estimated processing time of 10 working days
2. Job check – estimated processing time of 10 working days
3. Migrant worker visa – estimated processing time of 20 working days.

More detailed information on the accreditation process can be found at the NZ Immigration site here.

THE RESERVE BANK - AUSTRALIAN ECONOMIC CONDITIONS

Late last week the Reserve Bank set out its assessment of Australia's current economic conditions and we provide a synopsis of their views.

Inflation is now the highest in it has been in Australia since the early 1990s and is expected to peak at a higher rate than earlier envisaged. Global factors have contributed significantly to this outcome, but domestic pressures are also playing a role. Headline inflation was 1.7 per cent (seasonally adjusted) in the June quarter and 6.1 per cent over the year.

Higher prices for petrol again added to overall inflation, and the prices of fruit and vegetables rose because of flooding on the east coast. Inflation pressures are broadly based; trimmed mean inflation remained high in the quarter at 1.5 per cent, taking the year-ended rate to 4.9 per cent. Input cost

pressures have lifted inflation for new dwelling construction, consumer durables, groceries and some services.

Inflation is expected to increase further over the course of this year, reaching around 7¾ per cent in headline terms around the end of the year. Domestic retail gas and electricity prices are expected to increase by 10–15 per cent over the second half of 2022, given the high global price of energy and recent disruptions in the domestic electricity market.

The domestic labour market is the tightest it has been in many years. Employment growth has been strong and the unemployment rate has declined faster than earlier expected, to be 3.5 per cent in June – its lowest level in almost 50 years. Underemployment has also declined and the employment-to-population ratio and participation rate are both at record highs.

Leading indicators of demand for labour remain strong. Job vacancies and advertisements are at exceptionally high levels. Many employers have reported in liaison and business surveys that they plan to increase headcount further but are finding it harder to do so. The unemployment rate is expected to decline a little further still, to 3¼ per cent in late 2022, which is lower than was previously forecast. It is then expected to increase gradually as economic growth slows. The tight labour market is expected to result in stronger wages growth over the period ahead, but growth in labour costs is expected to be below the rate of inflation for a time.

The outlook for investment more broadly remains positive, although capacity constraints are evident in some areas. Survey measures of business conditions are strong and business credit is growing rapidly. The pipeline of non-residential construction projects has increased recently, and surveys and liaison information about non-mining firms' investment intentions imply that machinery and equipment investment will grow over the period ahead. Public investment is expected to increase over the forecast period, but as for private-sector construction activity, it is likely to face continuing capacity constraints. Public consumption is likely to grow more slowly than the rest of the economy, as pandemic-related spending unwinds.

Financial conditions globally have tightened noticeably from their unusually accommodative levels at the start of the year. Many advanced economy central banks have increased policy interest rates by more than earlier anticipated. These moves have been motivated by the need to reduce the risk that high inflation becomes entrenched, which would require a larger and more costly tightening in policy later on. Emerging market central banks have also continued to tighten policy, with movements in Australian financial markets broadly consistent with global developments. The Australian dollar has appreciated of late, largely reversing the depreciation over preceding months.

In light of these developments and risks, the Reserve Bank Board has continued the process it began in May of normalising monetary conditions in Australia. During the pandemic, the Board put in place considerable monetary stimulus to help the Australian economy and provide insurance against the worst outcomes. The strong recovery of the economy and the high inflation are requiring the withdrawal of monetary stimulus earlier, and faster, than was previously expected. Accordingly, the

Rserve Bank Board followed up the initial increase in the cash rate target of 25 basis points in May with three increases each of 50 basis points in the following three months.

Overall this means that general economic conditions will likely remain tight over the remainder of the year prior to some easing in the second to third quarter of 2023.

CONTACT

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