Workforce Update

The year ahead

While 2022 was a whirlwind year for employers, 2023 is expected to bring no shortage of new challenges and opportunities. In this article, our Workforce experts share predictions and insights on key areas to have on your radar in the year ahead.

Workforce strategy for 2023 and beyond

In 2022, employers were faced with talent shortages, wage inflation and shifting labour needs, tipping the 'balance of power' in favour of employees. We saw increasingly valuable financial and non-financial remuneration and benefits packages offered in a bid to attract and retain key staff. Come 2023, with the economy facing a downturn, has the employer-employee dynamic shifted again? Have we seen the end of trends such as the 'Great Resignation' and 'Quiet Quitting'? Or is this volatility and disruption to the world of work going to be the new normal? Organisations need to look beyond short-term sentiment and consider which workforce investments will deliver the best return, provide resilience to turbulence and change, and drive long-term competitive advantage.

Economic conditions

As businesses respond to economic challenges and uncertainty, we expect that productivity and worker value (relative to costs) will come under increasing scrutiny. With this in mind, we expect there will be two trends: (1) an uptick in performance management processes to move on low performers, particularly where monitoring or expectations have relaxed during the pandemic; and (2) organisational structure reviews and changes. Where headcount reductions are required, careful consideration of the business case (and sharing the context with employees) will be critical. Employers should carefully consider legal requirements to avoid the significant time and cost arising from personal grievances.

Worker status

Uncertainty continues to surround the distinction between contractor/employee/volunteer, as Uber is poised to appeal the Employment Court's historic 2022 ruling declaring four contractor-drivers to be employees. 2023 will also see the Court determine whether former Gloriavale members were employees or volunteers during their time in the religious community. While the courts (and employers) continue to grapple with the current legislative framework, the Government is due to consider the recommendations of the Tripartite Working Group on Better Protections for Contractors. These recommendations are a list of potential policy changes aimed at improving regulatory protections and better clarifying the scope of current worker statuses.

Legislative change

Following the introduction of Fair Pay Agreements late last year, four applications have been submitted to MBIE (with more expected in the coming months). The Government continues to carry out policy design work focussed on reforming the Holidays Act in 2023, but it is unclear how this will be prioritised in the lead up to the general election. Other areas where we could see new legislation in the next 12 to 24 months include modern slavery and wage transparency. A minimum wage increase of $1.50 (to $22.70) per hour has also been announced from 1 April.

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Health and safety

With the Whakaari prosecutions set down for July this year, officer duties under the Health and Safety at Work Act continue to be top of mind in the workplace safety space. In terms of current risks, mental health and other psychosocial factors continue to be important considerations for employers. With hybrid working practices here to stay, employers will need to think beyond ergonomics to combat isolation and reduced connectivity. We are seeing mental health considerations regularly arising for clients undertaking consultation processes (e.g. in a performance management context).

Technological change

Rapid developments in new technology will continue to transform traditional ways of working and pose new opportunities and challenges for the workplace. Developing policies to govern employees' use of generative AI, such as ChatGPT, will become commonplace to safeguard intellectual property and protect confidential business information. Looking further ahead, we could see the metaverse become a game changer for remote and hybrid working (and employment relations more generally).

Remuneration and Incentives – ESG

Climate Reporting Entities (CREs) are now required by law to make climate-related disclosures for financial years commencing on or after 1 January 2023. This means climate-related metrics and targets in remuneration and remuneration policies must be disclosed by CREs, marking a significant shift in the remuneration disclosure landscape in New Zealand. Until now the ESG features of New Zealand company executives' STI schemes have largely focused on social and governance factors such as D&I, employee engagement, customer satisfaction, and health, safety and wellbeing metrics, rather than climate factors. The enactment of climate related disclosure, recent significant weather events, and climate risk related litigation overseas means a likely step change in the incidence of climate related metrics in incentives over the next twelve months.

Employment Tax Matters

Although the job market is softening in some industries, many employers are still struggling to fill vacancies. We expect that more workers will be sourced from offshore and employers will be required to help them to settle in New Zealand (e.g. visa assistance, travel, accommodation, cultural training). While there are relevant exemptions that may apply to all or some expenditure, care should always be taken to consider the tax implications.

Inland Revenue has upped their expectations in relation to tax governance and this includes all employment taxes. The use of technology is also enabling them to be more targeted in their interactions with taxpayers. Tax and Payroll functions will need to be prepared for this.

Contact us

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