Alliott NZ Spring 2020 Newsletter

It's been enlightening to see our clients' response to COVID19. For those who had to close their doors, Government wages subsidies certainly kept many afloat. But for some businesses it has also meant they have had to find new revenue streams.

Message from Greg and Vanessa

Dare we say it, but are things in NZ getting back to normal?

Now our team is back in the office (hopefully for the long term) it's just weeks away from Christmas. What a year it's been!

On a positive note, it's been enlightening to see our clients' response to COVID19. For those who had to close their doors, Government wages subsidies certainly kept many afloat. But for some businesses it has also meant they have had to find new revenue streams.

In some cases, this involved shifting focus in terms of product or service. Examples from our own clients have been using leftover fabric to make facemasks, virtual store tours and appointments to sell clothing, restaurants doing take away meals and deliveries and digitisation of services.

More widely throughout NZ, we have enjoyed reading about distillers turning their talents to making hand sanitiser, one rental car company turning into a personalised grocery shopping service and even a skylight and roof manufacturer making face shields. A forced innovation that has, in some cases, led to a permanent addition to business models. Certainly, an advantage many businesses have is the ability to be agile and adaptable enough to consider looking at new markets.

In this newsletter:

- COVID19 staff layoffs an expensive business
- Wealth strategies to 'play the market'
- 'Future of Work' predictor
- Introducing new Alliotts team member Gabi
- The Social Dilemma

Finally, to you all, stay well, stay focused and let's stay connected. Please call the Alliotts team on 09 520 9200 or email enquiries@alliott.co.nz to find out more.

Kind regards,

Greg Millar & Vanessa Williams

COVID-19 layoffs expensive for some employers

According to the NZ Herald, a freight company that used COVID-19 as an excuse to lay off two employees has been forced to pay almost $60,000 for unfair dismissal.

The company told its staff it had applied for the wage subsidy and for registration as an essential service. The company then sent a letter signed by its managing director to all employees stating that if the wage subsidy was approved then "well and good, if not changes to our operations will become absolutely necessary".

The letter also said even with the subsidy, no long-term guarantees could be made and "restructure may become necessary in time". However, two long term employees were dismissed in April 2020, two days after being told their jobs were secure.

That morning, before the dismissal letters were sent, Ministry of Social Development (MSD) had contacted the company to say they were processing the wage subsidy application, but MSD were advised by management to remove some staff from the list. The application was put on hold so the company could provide a list of seven names to be excluded from the subsidy. The list was provided by email that afternoon, and MSD information shows 3 April as the date it recorded the removal of seven employees from the application.

In an Employment Relations Authority (ERA) decision, it was concluded that the company "knew or ought to have realised that it would soon receive the Government wage subsidy. It was not or should not have been a surprise for the company to receive confirmation of payment on 4 April ... and the funds available in its bank account on 6 April."

"The dismissal was unjustifiable not just due to process defects, the defects were not minor, and they did result in employees being treated unfairly." Both employees' dismissals were unjustified and the company was ordered to pay one employee $18,907 in lost wages and $10,000 in compensation. The company was also told to reimburse the other employee $14,132 and pay compensation of $15,000.

Employment law experts say the case sends a strong message to employers not to rely on the pandemic to seek to justify a failure to follow proper process. While not attempting in any way to downplay the impact of the government response on many businesses, the ERA has made it clear any employer who chooses to dismiss their people without a fair and reasonable process, at any time, is acting unlawfully.

COVID-19: Act in good faith bosses warned, rights remain the same

Employment experts are reminding businesses to act in good faith when dealing with Covid-19 related redundancies or restructuring to avoid expensive disputes. Calls to employment advisers, community lawyers and employment specialists have more than doubled since Covid-19 hit the New Zealand workforce. Most calls are related to job loss, reduced hours, pay cuts and forced annual leave and the message is clear - employers and employees have the same rights and obligations as they did before the virus hit New Zealand.

Any changes to work hours, job description and pay have to be agreed upon by both parties, and redundancies and dismissals all have to follow the same legal process they did pre-Covid-19. The Employment Relations Authority, which works to resolve employment relationship disputes, advises employees and employers to act in good faith to avoid employment issues.

Workers and businesses are urged to keep in regular contact with one another and act in good faith. "Ministry of Business Innovation and Enterprise (MBIE) has developed comprehensive guidance for employers and employees on how to navigate issues that may arise during the Covid-19 alert levels," a spokesperson said. "This includes information about the process to follow when making changes to employment arrangements and employment agreement conditions."

There had not been any marked increase in the number of employment cases because of Covid-19 but it was expected, the spokesperson said. So far there have been over 16,000 reported cases of Covid-19 job loss.

When losses in small to medium sized business are taken into account the loss would be far more significant than this.

Ross Henderson, Managing Director and Founder of HR Contracting has the experience and precedent material to guide you through any of these situations. For any questions or further discussion, please contact Ross on 09 630 3451.

Many people have taken advantage of the coronavirus lockdown to learn new skills

From baking bread, to knitting, to learning a language... but trading securities is possibly not something you should do without professional advice.

The danger of attempting to ‘play’ the market through short-term trading and timing strategies was highlighted recently in a warning to retail investors by the Australian market watchdog the Australian Securities and Investments Commission (ASIC). [1]

The regulator said its own analysis of securities markets during the COVID-19 lockdown had revealed a substantial increase in activity by retail investors or ‘day traders’—people using now easily accessible software and trading tools to try to time the market.

Not only had trading frequency increased rapidly during the pandemic, but the duration of people holding securities had fallen significantly. In short, it looks like folks in isolation at home have been trying to generate quick windfalls from market volatility.

“Even market professionals find it hard to ‘time’ the market in a turbulent environment, and the risk of significant losses is a regular challenge,” ASIC said. “For retail investors to attempt the same is particularly dangerous, and likely to lead to heavy losses—losses that could not happen at a worse time for many families.”

Of course, a common reaction to these sorts of warnings is for people to say to themselves: “It’s true there are a lot of naïve day traders out there with no experience. But the difference is that I’m extra careful and I know what I’m doing.”

Unfortunately, there is little evidence that there is a burgeoning industry of successful home-based stock traders out there.

Using its market surveillance data based on trading through retail brokers, ASIC focused on activity in the period from 24 February to 3 April 2020.

It found that on more than two thirds of the days on which retail investors were net buyers in this period, the prices of their targeted shares declined the next day. Conversely, the study found that on days in this period where retail investors were net sellers, the shares they sold more likely increased the next day.

In other words, the regulator says its detailed research over this focus period found little evidence that home-bound DIY traders were proficient in predicting short-term market movements, either on the way down or the way up.

"While markets generally recover over the long run and tend to grow with economic fundamentals, short-term trading and poor market timing can be a major risk for investors in volatile markets," ASIC said. "Therefore, retail investors should be wary of trying to 'play the market' for short-term price movements by day trading."

Furthermore, the regulator warned that the probability and impact of unpredictable news and events in offshore markets overnight only magnified this danger.

In previous statements, ASIC has said while some people may be drawn to the sense of control they feel in investing for themselves and the opportunity to save money, the risk is that they overrate their own expertise and fail to diversify sufficiently.

"A financial advisor can help you set financial goals, understand your risk tolerance and find the right investments," the regulator says on its popular 'MoneySmart' site.

In summary, while the COVID-19 isolation period has encouraged many of us to become more self-sufficient, do-it-yourself share trading should probably be viewed the same as DIY electrical work – whilst it may be possible to rewire the house yourself is it really worth the risk and will you sleep easy at night?

Global financial markets are highly competitive and full of smart people with sophisticated trading and analytical tools. News is quickly built into prices. While some amateurs may feel they have an edge, there is little evidence that this is the case.

Rather than trying to generate quick profits through trading, a better approach is to think about your long term goals and build a diversified portfolio aimed at achieving them—a portfolio that is made for you and that allows you to sleep at night.

Michael Beech CFA is an experienced investment specialist and is responsible for providing investment advice as well as managing the investment portfolios for many of Alliott NZ's clients. Click here to read more or call Alliotts in Auckland on 09 520 9200 for an introduction to Michael.

[1] 'Retail Investors at Risk in Volatile Markets', ASIC, 6 May 2020.

Future of Work Predictor

Australian experts predict that 50 per cent of all jobs will be lost by 2030! Enter your details and, in less than a minute, find out how exposed you are using the University of New England's free Future of Work Predictor tool. See more »

Introducing Gabi Pacheco

Keeping our office in Auckland running smoothly is no mean feat and our newest team member, Gabi, is our friendly first point of contact. Gabi's role ranges from helping our clients and making appointments to assisting our team with any admin support that crops up. Please help us make Gabi feel at home.

The Social Dilemma

We tweet, we like, and we share— but what are the consequences of our growing dependence on social media? As digital platforms increasingly become a lifeline to stay connected, Silicon Valley insiders reveal how social media is reprogramming civilisation by exposing what's hiding on the other side of your screen.

View more »

ALLIOTT
NZ LTD