

PRESS RELEASE

12 April 2019

Chorus to work with service companies to create a fairer supply chain

Chorus, and its service companies Visionstream and UCG, have today committed to a wide range of actions aimed at creating consistently fair conditions, in line with employment laws, for all workers in the Chorus supply chain.

The commitments are the response to the findings and recommendations of the independent review undertaken by MartinJenkins on Chorus' behalf. The review was commissioned in October last year after the Labour Inspectorate identified a number of breaches of employment law amongst small businesses sub-contracted to Visionstream and UCG.

The implementation of many of the changes is already underway.

"Chorus' Board and management are committed to doing the right thing by people working on our behalf, including those who have come to New Zealand to build a better life for themselves and their family," said Chorus' Chairman Patrick Strange. "While the report finds the vast majority of employment law breaches were low level, the way the supply chain is set up means it could still be vulnerable and this will be fixed."

Chorus' CEO Kate McKenzie has outlined the key findings of the report.

"The report finds that the use of a sub-contracting model to deliver UFB was appropriate, and that the use of migrant workers was expected and reasonable given the significant demand for labour and the time-limited and one-off nature of the work required.

"The success of UFB, and meeting the huge demand for fibre at a time of near full employment in New Zealand, led to a substantial change in the mix of the sub-contractors working on our behalf, with more sub-contracted migrants and small businesses than before," she said.

"Overall the new workers have been great additions to the workforce, bringing their much needed skills to our country, while lifting our productivity and quality. However, the change in the mix of workers did change the risks associated with our supply chain.

"Chorus, Visionstream and UCG needed to step up what we were doing in order to identify and mitigate the risk of breaches in employment law, which can be very difficult to identify, particularly when working with migrants.

“We underestimated that risk as it emerged, instead focusing on productivity, health and safety and quality. When issues arose we relied too heavily on the assurances given, which are not appropriate checks in a situation where there are a large numbers of migrants.

“We will make the necessary changes to ensure fairness in line with employment laws no matter where in the supply chain workers are contributing. We know that Chorus is not alone in facing supply chain challenges, so we are also working to share what we learn with other businesses and government to help inform wider policy choices,” she said.

INDEPENDENT REVIEW

The MartinJenkins review focused on identifying how issues arose, if systems were adequate to prevent breaches, and how effectively Chorus managed issues once they arose.

MartinJenkins also reviewed and researched alternative contracting models to inform its recommendations.

Chorus’ Board and management fully endorse the findings and recommendations of the independent report. The report has been released in full and is available [here](#).

The key findings of the independent review, led by Doug Martin and Sarah Baddeley, are:

- The adoption of a sub-contracting model for the delivery of UFB was appropriate given the rapid increase in volume of fibre connect activity
- The use of migrant workers by Visionstream and UCG was expected and reasonable given the type of work and significant demand for labour in New Zealand
- As the proportion of migrant workers increased, the model became more vulnerable to risk - this was not well understood or managed by Chorus, Visionstream, or UCG and a number of systemic improvements are required

DESIGN PRINCIPLES FOR A FAIR SUPPLY CHAIN

MartinJenkins has proposed potential responses to its findings, which are based around four design principles to ensure a fair and appropriate supply chain:

- All workers engaged in the Chorus UFB supply chain should be able to earn a decent wage for a fair day’s work
- Suppliers must respect the labour rights of workers and take steps to ensure their supply chain is free from discrimination, harassment, corruption and bribery

- Suppliers must handle all business dealings and transactions with the highest standards of integrity, transparency and honesty. Management systems must support good practice and clear accountability
- Productivity improvements in the supply chain should strike the appropriate balance between the needs of the customers and the needs of the workers

CHORUS, VISIONSTREAM AND UCG ACTIONS

With the aim of delivering those supply chain design principles, Chorus, Visionstream and UCG have committed to an extensive programme of actions.

These include:

LEAD

- Chorus will publish a Supplier Code of Practice to clearly outline its expectations of all suppliers
- Chorus will work to inform future policy development by providing reports and sharing insights with government agencies and industry

GOVERN

- Chorus will require each service company to appoint appropriate people, independent of their operational delivery teams, to provide assurance and reporting on sub-contractor compliance with labour law obligations
- Chorus will implement improvements to its service company contract management and change management processes, including adopting processes to ensure that its contracts have been operationalised as intended and monitoring compliance with contract terms
- Chorus, together with the service companies, will review the risk governance framework for managing workplace risk to support the delivery of fibre connections

PLAN

- Chorus will review the codes that determine what service companies are paid for the completion of individual tasks, and the processes used when jobs are not completed to standard, to ensure they are not creating unintended impacts for sub-contractors and workers
- Chorus, Visionstream and UCG will complete modelling of expected workforce demand across all Chorus service company delivered work with a two to five year horizon, to enable better long term planning
- Chorus, Visionstream and UCG will improve data integrity
- Service companies will work to improve their dispatch processes, to improve fairness and efficiency of allocation of jobs

EDUCATE

- Minimum business standards for sub-contractors will be introduced, covering their obligations as an employer and assurance that the appropriate processes and systems are in place for payroll
- Visionstream and UCG will make business support services available to sub-contractors
- A Code of Practice training programme will be provided

PROTECT

- A *Welcome to NZ* technician on-boarding programme for immigrant labour will be introduced
- Publication of and regular reinforcement of worker rights and welfare will occur
- Assistance with visa transfers if required, including working with technicians to identify new employers who meet employment standards, along with collaboration with the Department of Immigration to fast track visa transfers if appropriate
- A Chorus worker welfare portal that provides information and materials for sub-contracted workers to help them understand their rights and to provide resources where these are being infringed, will be established
- Establishment of a trust fund for certain eligible workers who are unable to secure payments due from their employer

MONITOR

- Statutory declarations of compliance with employment standards will be required from all sub-contractors
- An ongoing audit programme, which includes a consistent consequence management framework, will be developed
- Chorus and service company staff will be trained to enable better identification of issues on an ongoing basis

ENDS**Note for Editors****About MartinJenkins**

MartinJenkins specialises in understanding the business, political, financial and regulatory operating environment. It has unparalleled experience in working alongside the public sector and commercial entities providing advice and support for organisational performance improvement and monitoring, strategy, organisational design, public policy, change and research and evaluation. Visit www.martinjenkins.co.nz.

About the Reviewers

Doug Martin, co-founder of MartinJenkins, is one of New Zealand's most experienced and respected advisers on approaches to improving the performance of organisations. Recent roles include acting as Crown Negotiator for the Terra Nova pay equity settlement for care workers and conducting the national inquiry into the Use of External Security Consultants.

Sarah Baddeley leads part of the Auckland practice for MartinJenkins and draws on wide sector experience and superior technical and analytical skills to support organisations undergoing change. Sarah is an experienced advisor to senior managers, chief executives, board members and government ministers in both New Zealand and Australia.

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