

Submission on NZ Income Insurance Scheme

Privacy of

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Contact details:

Email: Privacy of natural

Mob: Privacy of

Please redact contact details prior to any publication.

Introduction

This is a brief submission. Apart from this introduction, I break it into three sections. The first covers some of my opinions regarding the scheme. The next lists some suggestions on how the scheme might be better implemented. Finally, there is a question that I did not identify as being raised in the discussion document that I believe you should consider in finalizing the legislation for the scheme.

Opinions

I do not think that New Zealand should introduce an income insurance scheme for job losses due to redundancy layoffs or health conditions and disabilities, but make this submission in the hope that it might contribute to the scheme that will be introduced.

It is stated that the thinking behind this scheme is similar to that which led to the setting up of ACC. This can be only partially true. A huge benefit from ACC is that it largely negates the litigation cost to society that would exist in its absence. ACC results in a net efficiency gain to the economy. It does not appear that this income insurance scheme can have a benefit to cost ratio as high as that of ACC.

Given that payouts in this scheme are for Loss of Earnings only and payouts will be taxable as income, employee premiums should be tax deductible in the hands of employees. To do otherwise would amount to double taxation. This is different to ACC because ACC Earner Levies also cover rehabilitation services and health services received as a result of non-workplace accidents.

This scheme is an onerous burden on all employees. You cite the example of an employee earning \$880 per week who you estimate will pay \$12.23 a week in levies. This equates to \$636 per annum, which is the value of a low-cost new piece of whiteware or unexpected car repair.

I do not think the levies are good value for the protection and benefits the scheme would introduce for me and for New Zealand. Personally, it will affect me adversely. I am in poor health, from both a serious accident and illness. This scheme will reduce my likelihood of being employed in future by further increasing the risk to potential employers of employing someone in poor health.

Suggestions

This scheme is an opportunity to remove another bureaucracy. I suggest that Paid Parental Leave should qualify for this scheme and the existing Paid Parental Leave provisions should be repealed.

I suggest that extending support for up to 12 months to receive training will add undue complexity and counterproductive incentive effects. On the other hand, where a person receives scholarship

payments, I suggest that such payments should not be considered income with respect to their income insurance payouts.

I suggest that employers should not be required to make payments for four weeks at 80 percent of salary or wages over and above the required four-week full pay notice period. The current practice is to pay an employee for the notice period while not requiring them to work that period. The requirement for employers to pay out four weeks at 80 percent in addition to the four-week notice period is onerous. This will further discourage people from taking on employees. The existing compliance burden on employers already discourages honest would-be employers from taking on staff. This scheme will further reduce productive business activity and employment.

I suggest that reduction in hours should be included in the scheme. The summary booklet page nine states that "To qualify, the job must end. A reduction in hours worked at the job is not an event that is covered by the scheme." This is unreasonable. A 25 percent reduction in hours from a fulltime job is exactly the same as losing a single job that pays 25 percent of total income from multiple jobs worked.

I suggest that curtailment of entitlement due to previous drawdowns from the scheme should be based on Equivalent Full-Time hours paid or proportion of total hours paid rather than the number of months during which payouts are received. An example is where a multiple-job employee loses a job that is 25 percent of their income, and then receives Income Insurance payouts for, say, two months. That employee should not be considered to have consumed two months income insurance. That employee would only receive payments of 5 percent of their old total, which means it would be equitable to debit them only approximately 2.5 days. $(5\% \text{ paid}) / (80\% \text{ full entitlement}) \times (2 \text{ months}) = 0.125 \text{ months}$, which is approximately 2.5 days.

I suggest that for legal clarity, the maximum payout period should be legislated in weeks rather than months. For example, 6 months should be legislated as 26 weeks.

I suggest that where injury prevents full return to work, weekly ACC payments should have no Income Insurance Levies deducted. Currently ACC Earner Levies are deducted from weekly ACC compensation payments, presumably because ACC may still be required to pay for treatment costs of any future injury. However, taking Income Insurance levies from someone who receives weekly ACC compensation in most cases would be a burden with no possible benefit to the payer.

Question

Please draft the legislation to prescribe or leave no ambiguity as to how Income Insurance Scheme eligibility will apply where a recipient of weekly ACC compensation is also employed part time.

End of document