

Submission template

A New Zealand Income Insurance Scheme

This is the submission template for the discussion document, *A New Zealand Income Insurance Scheme*.

The Ministry of Business, Innovation and Employment (MBIE), on behalf of the Government, Business New Zealand and the New Zealand Council of Trade Unions, seeks your written submission on the matters raised in the discussion document by **5pm on 26 April 2022**.

Your submission could be made public

The information provided in submissions will be used to inform policy development on the proposed income insurance scheme, including how it could be improved and how it could affect different groups. We may contact submitters directly if we require clarification of any matters in submissions.

The *Privacy Act 2020* applies to submissions and responses. Any personal information you supply to MBIE in making a submission will only be used for the purpose of assisting in the development of policy advice as part of this review. When businesses or organisations make a submission, we will consider that you have consented to the content being included in any summary of submissions unless you clearly state otherwise. If your submission contains any information that is confidential or that you do not want published, you can say this in your submission. Please clearly indicate in your cover letter or email with your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that may be published.

Submissions and responses may be subject to requests for information under the *Official Information Act 1982*. Please clearly indicate in your cover letter or email with your submission if you have any objection to the release of any information in your submission, and which parts you consider should be withheld, together with the reasons for withholding the information. Your views will be taken into account when responding to requests under the *Official Information Act 1982*. Any decision to withhold information requested under the *Official Information Act 1982* can be reviewed by the Ombudsman.

How to make a submission

Please send your written submission on the options and questions in this consultation document by **5pm on 26 April 2022**. You can make your submission (preferably using this submission template) as follows:

1. Include your name, the name of your organisation (if applicable), and contact details. We may contact submitters directly if we require clarification of any matters in submissions.
2. Your submission may respond to any or all of the questions in the consultation paper. Where possible, please include information or evidence to support your views. We also encourage your input on any other relevant aspects of the income insurance scheme in the "Other comments" section.
3. Sending your submission:
 - a. Attach as a Microsoft Word document or searchable PDF and email to:

incomeinsurance@mbie.govt.nz (preferred), or

b. Mail your submission to:

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6145

If you have any questions on the submissions process, please contact incomeinsurance@mbie.govt.nz.

Submission on A New Zealand Income Insurance Scheme

Your name and organisation

| | |
|------------------------------|--|
| Name | Angela Cayford |
| Organisation (if applicable) | ANZMES (Associated New Zealand Myalgic Encephalomyelitis Society Inc) on behalf of all regional ME organisations |
| Contact details | Privacy of natural |

Responses to consultation document questions

Chapter 4 – How a new income insurance scheme could achieve our objectives (Pg 30-48)

The Forum considers the benefits of income insurance for job loss due to displacement or health conditions would outweigh its costs.

1 *Do you agree New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities?*

Yes. We have deep concerns about the current disparity between the financial and healthcare support provided to people who are unable to work due to a health condition or disability, whether the health condition or disability is the result of an accident or illness. This disparity includes inequity in individual and household income, access to specialist healthcare and diagnostic testing, access to subsidised allied healthcare services, access to equipment such as mobility aids or occupational therapy equipment.

Chapter 5 – Honouring Te Tiriti o Waitangi (Pg 49-51)

Kawanatanga – Good governance and partnership

2 *How can we ensure the proposed income insurance scheme honours Te Tiriti o Waitangi?*

By recognising the disparity that exists and providing more resources as required for equity.

3 *What are the opportunities for partnership and Māori representation in the proposed income insurance scheme's governance and operations?*

Hopefully you've extended invitations for active participation to all iwi and relevant professional organisations, and ensured that representation is offered and accepted in the scheme hierarchy.

4 *How can we ensure equity of access, participation, and outcomes for Māori in the proposed income insurance scheme?*

Involve iwi and professional organisations in the set-up, decision making, and throughout all processes. Ensure the people actually receive the benefits.

5 *How can we reflect and embed te ao Māori in the proposed income insurance scheme's design?*

Recognise Te Whare Tapa Wha and all it encompasses, recognise and work with Maori Health Clinics, ensure that iwi representatives have positions of power and decision-making within the scheme hierarchy.

Chapter 6 – Coverage for displaced workers (Pg 53-72)

Displacement and standard employment (full- and part-time permanent employees)

6 *Do you agree with defining displacement as the involuntary loss of work due to the disestablishment of a job?*

Yes

7 *Do you agree with excluding poor performance and gross misconduct as reasons for claiming insurance?*

Yes

8 *Do you agree with excluding resignation as a reason for claiming insurance?*

No – some people with illness or disability may be forced to resign as they are unable to fulfil the role and the employer did not make any or sufficient accommodations to help them retain their employment.

Coverage provided for complete job loss only

9 *Do you agree that income insurance should cover only the complete loss of a job, and cover situations where a person loses only one of several jobs that they hold?*

No it should not only cover complete loss of a job. It should be for any level of job loss. For example a previously healthy person may have been able to work 40 hours per week, but illness has resulted in fatigue and they can only work 20 hours per week, or less. Those loss of earnings of reduced hours of work should be included in the insurance scheme.

Yes, it should cover a situation where someone only loses or has to leave 1 of several jobs.

10 *Do you agree that insurance would be payable only where income loss was greater than a minimum threshold, such as a 20 percent loss of total earnings, counting income from all of their jobs*

Perhaps there needs to be a tiered scheme in which the individual taking the insurance can decide what is best for them.

It should be for any job loss – not 20% across all jobs.

Displacement and non-standard employment – a principle-based approach

11 *Do you agree that it is important to provide income insurance coverage to non-standard workers, where practical?*

Yes

12 *Do you agree that income insurance should cover the 'loss of reasonably anticipated income'?*

Yes

13

Do you agree that income insurance entitlements should be based on an 'established pattern of work'?

Yes – but you do need to include seasonal and casual work in this established pattern.

Coverage provided for fixed-term and seasonal employees

14

Do you agree that income insurance should cover fixed-term and seasonal employees if they are displaced before the end of an employment agreement, with the duration of the payment running to the scheduled end of the employment agreement, or the maximum insurance entitlement duration, whichever is shorter?

Yes

15

Do you agree that income insurance should cover fixed-term and seasonal employees, where their employment agreements are not renewed, and they can show a regular pattern of work and reasonable expectation of future income?

Yes, except for cases of poor performance or misconduct.

Coverage provided for casual employees

16

Do you agree that income insurance should cover casual employees who can show a regular pattern of work with an employer and a reasonable expectation of future income?

Yes

17

How would these design choices work in practice? What risks can you see with the approach to establishing a regular pattern of work?

It may be hard to define the period of time used to establish the regular pattern of work. The same period of time may not be appropriate for all jobs. Also, some people may have a very variable work pattern, or a new, long term work pattern may have only just started.

This would be especially difficult to establish for casual workers, but it is important to include them.

Coverage for self-employed workers

18

What risks do you see with covering, or not covering, people in self-employment?

As long as they have detailed accounts of their business practice, normal working hours, and income then, they should be covered if they can no longer be self-employed due to illness/disability.

The risk of not covering the self-employed is that if they can no longer work, they will be under serious financial strain.

19

Are there some groups of self-employed who should and should not be covered?

20

How can we practically distinguish between contractors who resemble employees, and those with

a high degree of independence?

If they resemble employees then they should be on employee contracts. If they are contractors then they are usually self-employed and should be covered under that.

21

Because a self-employed person cannot technically be made redundant, what types of events would be appropriate 'triggers' for insurance payments?

Illness or injury that results in inability to work, illness or injury that result in disability and therefore inability to work.

Disability.

Specific illnesses should be included, in particular Post-viral syndromes (Long COVID, ME/CFS) but people should not be discounted if their illness is not listed. As illnesses are highly individualised and one person may be able to work, whereas another cannot, with the same illness. So it should be case-by-case and through the guidance of their GP and/or a medical practitioner.

Illnesses that encompass aspects of fatigue – in which symptoms fluctuate and so it is difficult to ascertain when one will be well enough to work and so finding sporadic employment is difficult.

22

How do you think the levy should be collected from self-employed workers?

They should have options of paying lump sums or fortnightly, monthly payments like employed person do, through a direct debit/credit system.

A modest minimum contribution period

23

Do you agree with the proposed minimum contribution period of six months over a period of 18 months preceding the claim?

Yes. Someone who has to stop working due to a disability or health condition may have been struggling to continue working at their job for many months, and may have taken unpaid sick leave, so may not have been able to contribute regularly over the previous 18 months.

Limits on subsequent claims

24

Do you agree limits should be placed on the number claims people can make?

Yes.

25

Do you agree with limiting claims to a total of six months within an 18-month period?

Yes, for displaced. No if unable to work due to a disability or health condition.

You should be able to account for an ongoing payment or lump sum if a person is no longer fit for work and therefore need financial security through their insurance.

26

Could the risks associated with a low contribution history be managed in other ways?

Don't know.

Coverage for New Zealand citizens and residents

27 *Do you agree with limiting coverage of the proposed income insurance scheme to New Zealand citizens and reside?*

If anyone is legally entitled to work in NZ they should be entitled to obtain this insurance. Regardless of citizenship if someone becomes ill, or injured, or disabled then they should be entitled to claim.

28 *To ensure New Zealand workers are not disadvantaged by lower cost international workers, do you agree that working holiday makers, international students and temporary work visa holders – and their employers – should contribute to the proposed income insurance scheme’s costs?*

If they are legally entitled to work, they should have the option to participate and pay insurance premiums, but I don’t think it should be compulsory for anyone.

Chapter 7 – Entitlements for displaced workers (Pg 73-95)

Income caps and income replacement rates that match the accident compensation scheme

29 *Do you agree with a replacement rate set at 80 percent?*

Yes, consistent with ACC.

30 *Do you agree with a cap on insurable (and leviable) income set at the same rate as the accident compensation scheme (currently \$130,911)?*

Yes, agree it should be consistent with ACC.

Only personal exertion income would abate (reduce) insurance entitlements

31 *Do you agree that only the insurance claimant’s personal exertion income should affect their insurance entitlements?*

Yes.

32 *Do you agree that income insurance should have individualised entitlement, meaning a partner’s income would not affect the rate payable?*

Yes, agree it should be consistent with ACC.

Abatement rates would ensure a claimant is not financially better off as a result of their loss of work

33 *Do you agree that someone should be able to earn some income from paid employment before it affects their entitlements to income insurance?*

Yes. Similar to Supported Living Payment MSD scheme.

34

Do you agree that insurance should abate 'dollar for dollar' when earned income and insurance combined reach 100 percent of previous income?

Yes.

Insurance would generally be treated as income, to determine eligibility for welfare and student support

35

Do you agree that insurance should be treated as income for assessing eligibility for income support such as main benefits and Working for Families tax credits and student support?

Yes.

36

Given the purpose of the In-Work Tax Credit and Minimum Family Tax Credit in encouraging people into employment and helping with in-work costs, do you agree that income insurance claimants would not be eligible for these tax credits?

They should still be entitled to Family Tax Credit – if they have dependents this does not change when they stop working, they still need to provide for their dependents.

Insurance claimants could also receive New Zealand Superannuation or the Veteran's Pension

37

Do you agree that income insurance claimants could also receive New Zealand Superannuation or the Veteran's Pension?

Yes, because the income insurance is replacing income from a lost job, and is not means tested.

38

Do you think a limit should be placed on the amount of time someone can receive New Zealand Superannuation or the Veteran's pension and income insurance?

Yes and no – you could limit the income insurance to the proposed four weeks + six months period to allow time to find new employment as intended. But Super and Veteran's pension is a civil right and should not affect this separate job loss insurance.

Where eligible, insurance claimants could choose whether to access Paid Parental Leave or income insurance and may receive both sequentially

39

Do you agree that income insurance and Paid Parental Leave could be accessed sequentially but not at the same time?

Yes. But you may find that a person becomes ill/disabled just prior to already scheduled paid parental leave.

Insurance claimants could also receive ACC weekly compensation where it covers a different income loss

40 *Do you agree that claimants should be able receive both ACC weekly compensation and income insurance at the same time for differing income loss subject to independently meeting the eligibility criteria for both?*

Yes.

A sufficient base entitlement period

41 *Do you agree with a base insurance entitlement length of six months, plus a four-week bridging payment paid by the employer?*

Yes, for displaced workers.

No, if loss of job is due to a health condition or disability, insurance entitlement should be ongoing for as long as required, to remove the disparity with ACC.

42 *Would you support a longer or shorter length of base insurance entitlement?*

Insurance entitlement should be for as long as required, if job loss is due to a health condition or disability, to remove the disparity with ACC.

Extending the maximum period in specified circumstances

43 *Do you think the scheme should allow extensions to the base period of income insurance entitlements for training or vocational rehabilitation?*

If it is possible for a person to have this form of rehab, but it shouldn't be withheld or forced upon a person who is ill/disabled and no longer able to work. Their ability to work or not work should be assessed by their GP and/or medical professional. The medical professional's expertise should be adhered to by insurer.

Enhancing the income insurance scheme with notice periods

44 *Do you agree that employers should give at least four weeks' notice to employees, and the insurer, before redundancy takes effect?*

Yes.

Avoiding unnecessary redundancies

45 *Do you agree that employers should pay former workers for the initial period of unemployment for four weeks?*

Yes.

46 *Should bridging payments be applied to all workers, including those not eligible for income insurance?*

Yes, where feasible

47 *Should the income insurance scheme finance bridging payments in circumstances where the payments are not forthcoming from employers, and refund employers for bridging payments if workers find work within this period?*

Yes.

48 *Do you consider that stronger integrity measures are necessary to manage the risk of spurious claims to the income insurance scheme?*

Yes – but in case of illness/disability this would just need to be a letter/certificate from GP/medical professional.

In case of redundancy – there will be legal documents showing the reasoning be it receivership of company, or restructure etc.

Chapter 8 – Coverage and entitlements for loss of work due to health conditions or disabilities (Pg 96-112)

An income insurance scheme for health conditions or disabilities could have similar rules to an income insurance scheme for displacement, with some important differences (Pgs 97-98)

New item: Duration of coverage should be as long as needed. (refer answers to Q41 & Q42.

No restrictions on the types of conditions covered by the income insurance scheme (Pgs 99-100)

49 *Do you agree there should be no restrictions on the types of conditions covered by the scheme?*

Yes. The scheme should also include a situation where a person has to stop work or reduce their hours of work to be at home to care for an immediate family member with a health condition or illness.

No restrictions on the working arrangements covered by the scheme (pg 101)

50 *Do you agree that all work arrangements should be covered (assuming other eligibility criteria are met)?*

Yes.

Coverage for loss of at least 50 percent of capacity to work, for at least four weeks (pg 102-103)

51 *Should the scheme cover partial loss of earnings due to a health condition or disability reducing work capacity?*

Yes.

52 *If partial loss is to be covered, do you agree claimants should have at least a 50 percent reduction of capacity to work caused by a health condition or disability and that reduction is expected to last for at least four working weeks?*

No. We think it would be fair to cover at least a 20% reduction in capacity to work. Agree that the reduction of capacity to work should be expected to last at least 4 weeks.

Claimants' medical practitioners would assess work capacity, with final eligibility assessed by the scheme administrator (pg 104-106)

53 *Do you agree that the claimants' health practitioner should be the main assessor of work capacity?*

Yes, or other health practitioner who is knowledgeable in the health condition. And this medical practitioner's word is adhered to by the insurer.

54 *Do you agree that, where appropriate, employers could provide supporting information to inform the claimant's work capacity assessment process?*

Yes, where appropriate information about the nature of the work could be useful. Also, input from the local support organisation for the health condition would be useful to clarify the nature of work or number of hours that it is feasible for a claimant to work.

Employers would remain responsible for taking reasonable steps to support an employee to continue working (pgs 107-108)

55

Are the current requirements on employers to make workplace changes sufficient to allow health condition and disability claimants to return to their regular employment (or alternative work)?

Yes.

It is not always adhered to though.

56

How could employers be supported to help workers with health conditions or disabilities to remain in or return to work?

Provide education for employers about the benefits of providing employees with the opportunity to reduce hours, work flexible hours, work from home where appropriate, area to rest quietly throughout the day, switch to a different position which is more suitable to the individual's capacity to work, but still appropriate to their skills and experience.

Employers are to be encouraged to connect with local expertise in the health condition, such as local or national support and advocacy organisation for the health condition.

Employers would be expected to make reasonable efforts to keep a job open where a return to work within six months is likely (pg 109)

57 *Where an employee must stop work entirely because of a health condition or disability, do you think employers should be expected to keep a job open and help with vocational rehabilitation where a reasonable prognosis is made of return to work within six months?*

Yes, but the period of time a job should be kept open should be 12 months to be consistent with Parental Leave.

58 *Should this be a statutory requirement placed on employers or an expectation?*

A statutory requirement, to ensure it is applied consistently across employers.

The scheme would generally meet the full cost of income replacement once a claim is accepted (pg 110- 111)

59 *Do you agree that employers should only pay a bridging payment to employees leaving work because of a health condition or disability when the employment is terminated by the employer?*

Yes.

Chapter 9 – Insurance claimants’ obligations (Pg 113-120)

Reasonable obligations for people receiving income insurance payments

60 *Do you agree claimants should be obligated to look for work or prepare to return to work while receiving insurance?*

Yes, for displaced workers.

No, if an individual is unable to work due to a health condition or disability.

61 *Do you agree that claimants would not be expected or required to accept offers of employment that provide lower wages or conditions?*

Yes.

62 *Do you agree the insurer could waive obligations partially or fully where a claimant is unable to meet those obligations?*

Yes.

63 *Do you agree claimants should be obligated to remain in New Zealand to remain eligible for income insurance?*

No.

64

Do you think a period of time, such as 28 days, should be allowed for travel overseas, for example, to support ill family?

Yes. Or longer as required on a case-by-case basis. Some people may require treatment overseas that is longer than this, and some people may just want to spend longer overseas if they have family that can provide support for them overseas. Their movements should not be limited. Even if they move overseas, they should be entitled to ongoing financial support if ill/disabled as they won't be able to work in the country they move to either.

Specific obligations for claimants with a health condition or disability

65

Should claimants with health conditions or disabilities be subject to obligations to participate in rehabilitative programmes and other support, where appropriate?

No, it should be optional based on the advice of their medical professional.

66

Should claimants with health conditions and disabilities be subject to obligations to search for work or undertaking training where they are able to?

No, it should be optional so that they can focus on their health and recovery.

If the condition is chronic and is likely to never return to work then there is no need for this.

Consequences for non-compliance

67

Do you think financial penalties should be in place for people who do not meet their obligations while receiving insurance payments?

Yes.

68

Do you agree that payments could be fully suspended in cases of serious, intentional non-compliance with obligations?

Yes.

69

Do you think any other consequences should be in place for people repeatedly not meeting their obligations, such as permanent suspension of entitlements?

No, entitlement should be regularly reassessed to encourage compliance.

Chapter 10 – Delivering income insurance (Pg 121-134)

Independent and effective delivery

70 *Do you think it is best for ACC to deliver the income insurance scheme alongside the accident compensation scheme?*

Yes, it encourages equity for individuals across the income insurance scheme and ACC.

71 *Would the income insurance scheme be better delivered by a government department or a new entity?*

No, this would potentially increase the disparity between individuals who are unable to work based on whether their health condition or disability is due to illness or an accident.

Accountable and effective governance

72 *How could employer and worker perspectives best be incorporated to strengthen the income insurance scheme's delivery for New Zealanders?*

Promote it like kiwisaver was promoted and encourage employer/employee participation through premiums taken out prior to payment to employee.

73 *How could Māori perspectives best be incorporated to ensure the income insurance scheme is delivered equitably and with aspiration?*

Involve iwi leaders and professional organisations in all decision-making.

Displaced workers: Getting back to good jobs

74 *What practical support should be available to insurance claimants to return to work?*

Rehabilitation, training if need, accommodations to workplace, flexibility in hours and work-from-home options

75 *Who should provide that return-to-work support?*

DHBs (or national health body)/ACC for rehab, MSD and employer for the rest.

76 *What type of claimants would need an employment case manager, and who could self-manage?*

Everyone should be assigned a case manager, but level of input could be determined based on reason for making claim.

77 *What do you think a 'return-to-work plan' should include?*

An adequate period for rest and recovery. Slow introduction back to tasks for a few hours per week, building up as appropriate (assessed by GP/employee/employer), flexibility if work-from-home is a better option.

Health condition and disability claimants: Getting back to good jobs

78 *What practical support should be available to income insurance claimants with a health condition*

or disability to return to work?

Free access to allied health professionals such as physiotherapy/occupational therapy.

Free access to equipment such as mobility aids or occupational therapy equipment.

Free access to public transport to make it easier to get for an individual who is unable to drive/cycle/walk long distances due to their health condition or disability.

Increased availability of part-time work (eg 10 hours a week), job share, flexible hours, work from home opportunities.

79 *Who should provide that support to return to work?*

The Government should provide this support so that it continues for as long as it is required, not just for the length of the insurance scheme. An individual may find they are able to work with the assistance of practical support after the income insurance scheme has finished. If an individual can return to meaningful employment this is of benefit to them and to their family and wider society.

80 *What type of claimants would need a case manager, and who could self-manage?*

Any claimant who has a complicated situation, or needs assistance for any reason should be able to request a case manager.

Dispute resolution

81 *Do you agree with the proposed four-step dispute resolution process for the scheme?*

Yes.

82 *Are there specific aspects to the scheme's dispute resolution you think should be considered?*

Scheme integrity and enforcement

83 *Do you agree with the proposal to establish an effective offences and penalties framework to protect the scheme's integrity?*

Yes.

Information collection and sharing

84 *Do you agree with the proposal to develop information sharing agreements and sharing arrangements with employers, other agencies and service providers?*

Yes

Chapter 11 – Funding income insurance (Pg 135-144)

Most funding would come from compulsory levy payments on income

85 *Do you agree the income insurance scheme should be funded from compulsory levies on the income that is insured, rather than from general taxation?*

Yes, although we are concerned that the levy will increase the number of families living in poverty by reducing their income.

Levy payments would be shared by employers and workers

86 *Do you agree that levy contributions should be equally split between the employee and employer?*

Yes.

87 *Do you agree that levies for health conditions and disabilities and for redundancy should be set separately?*

No, 1 levy which is applicable for any circumstance.

Both the employee and employer would be charged at a flat rate

88 *Do you agree that employees should be levied at a flat rate on income below \$130,911?*

Yes.

89 *Do you have any other suggestions for how the employee levy should be structured?*

90 *Do you agree that experience rating would not be an appropriate design setting for the employer levy?*

Not sure.

Levies would adjust smoothly over time, with independent fund management

91 *Do you agree that an independent fund with a stable levy-setting system should be established to finance the income insurance scheme?*

Yes

92 *Do you favour a Pay As You Go or Save As You Go funding approach?*

Yes – this will enable lower income families to participate in a way that is affordable to them, this enables equity.

Building in scheme adaptability, while protecting levy sustainability

93 *Do you agree that the legislation for the income insurance scheme should provide the flexibility to vary entitlements and eligibility in times of crisis, over and above the proposed income insurance scheme?*

Yes

94 *Does such flexibility create risks that require additional mitigations?*

You'd have to be more specific as to what this would look like.

Other comments

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