



**Te Wāhi Wāhine o
Tāmaki Makaurau**
AUCKLAND WOMEN'S CENTRE

Submission re NZ Income Insurance

20 April 2022

Tēnā koutou,

We welcome this opportunity to give feedback on the Government's proposed NZ Income Insurance scheme (NZII).

Te Wāhi Wāhine o Tāmaki Makaurau – Auckland Women's Centre is dedicated to promoting empowerment and well-being for all women. Open to women and non-binary people of all ethnicities, incomes, cultures, sexual orientation, gender identity, age and ability, we offer support, education, counselling, rangatahi outreach, community kōrero & safe space. We lead the Coalition for the Safety of Women & Children. www.awc.org.nz

Our keen interest in the NZII proposal is due to its likely profound effect on the position of wāhine Māori and all women in Aotearoa New Zealand, particularly those who are caring for children and/or who are disabled.

We acknowledge the great efforts of government, unions and business in their aim of creating a proposal that has broad support, and the expectation of the tripartite that such support, if secured, would create an initiative of political sustainability and longevity.

We are not opposed to social insurance in principle. However, as detailed below, due to its exclusionary nature, we do **not** support the proposal for NZII as it currently stands. We would support the introduction of a social insurance scheme only if:

- i. The welfare system is made fit for purpose (guaranteeing liveable incomes for all) either before or at the same time as social insurance is introduced; and
- ii. The following changes are made to the NZII proposal:
 1. Ensure iwi, hapū and Kaupapa Māori organisations have the (Māori-defined) decision-making power and resourcing in the scheme to ensure NZII supports tino rangatiratanga.
 2. Abolish the employee levy for workers earning less than fulltime median hour earnings (currently ~\$58,000). If it's considered that the levy for other workers becomes too high, remove the displacement fund (keep the 4-week employer-funded 4 weeks bridging payment), and continue levies solely for the health condition & disability fund (and paid parental leave). Or reduce the entitlement from 6 months to 3 months – the lower the wage, the shorter the time a worker

is likely to receive NZII as lower-income households are less likely to be able to afford to live on 80 percent weekly wage compensation.

3. Include paid parental leave within NZII, ring-fence provision for non-birthing parents, and increase entitlement rates to 80% of employment income.
4. Entitle someone who has lost a parttime job to 80% of the loss of earnings from that job; do not cap their entitlements at 80% of their overall employment income.
5. Remove the income ceiling where the levy cuts out.
6. Reduce the payout ceiling to 80% of \$80k.
7. Keep the Working For Families entitlements the same for those receiving NZII as for those who are employed, rather than removing the entitlement to the In-Work Tax Credit.

We strongly agree that:

- people who lose paid work should be better supported by our wider community than they currently are.
- the current collective support system is deeply inadequate. We note that it is inadequate for almost everyone, not just for those who lose wages or salary via displacement or disability.
- systemic inadequacies have contributed to deprivation and depression for entire communities.
- things need to change, including better support for people in relationships.

We support:

- moves toward individual entitlement for financial support.
- compulsory employer payments to employees in the event of redundancy.

However, as it currently stands, NZII is at a high risk of breaching te Tiriti o Waitangi through lack of partnership and by exacerbating inequity for Māori, and also at high risk of exacerbating inequity for women, Pacific peoples, disabled people and children.

1. This risk of increasing inequity is partially because NZII excludes people who are not in paid work due to caregiving responsibilities and/or chronic disability. Of families receiving Sole Parent Support, over 90% are looked after by women, and around 50% are looked after by Māori, with wāhine Māori most likely to be looking after families receiving SPS. Māori are also more likely to be receiving Supported Living Payment (due to permanent health and/or disability issues) than the population in general. These groups are not eligible for NZII.

This exclusion is deeply demoralising for those who experience it: it has an emotional and social effect as well as a financial one. For example, when the exclusionary Covid-19 Income Relief Payment was [announced](#) by Government as a precursor to compulsory income insurance, benefit recipients saw their exclusion as de-valuing their lives, as shown in [interviews](#) by Associate Professor Louise Humpage and Charlotte Moore. One of the interviewees “Maria” wondered why leaving a toxic

relationship for the safety and wellbeing of yourself and your children should be treated any differently from “job loss”:

I just don’t get it. I mean, when I went on Sole Parent Support after I left my [abusive] relationship, they didn’t think about the life I was living before. They didn’t say ‘how much money did I get before and what were my bills before and We’re going to pay you in accordance with that lifestyle’. It was just ‘this is what it is.’ And so, you know, I went from a middle class lifestyle to totally scraping by.¹

The systemic message is: losing one’s job is worth more collective support than attempting to prevent violence and abuse.

Exclusion from support can lead to isolation, disenfranchisement, loss of community cohesion and breakdown of trust in government and other authorities, leading to vulnerability to disinformation, other exploitation and ultimately exacerbating any possible fracturing of society.

2. NZII risks increasing inequity for Māori, Pacific peoples and women because even for people who are eligible for NZII, outcomes are likely to be inequitable. New Zealand schemes similar to NZII already have discriminatory outcomes. Two examples:
 - i. The Covid-19 Income Relief Payment was more likely to turn down Māori and Pacific paid workers than Pākehā.²
 - ii. ACC outcomes are [inequitable](#) for Māori, Pacific people and women. Despite ACC having a strategy in place to reduce inequalities for Māori, Māori still have a claim lodgement rate ~19 percent lower than the national average. Of particular relevance to NZII, ACC found that injured Pacific people accessing ACC returned to work faster than any other group, possibly because “higher rates of deprivation and income poverty among Pāsifika households mean many injured people cannot afford to remain on 80% of their pre-injury income for long.”³ That 80% ACC compensation rate is equivalent to the compensation rate proposed in NZII.

While a high-salary earner may be able to survive for months on 80% of their previous income while retraining or seeking a new job similar to the one they’ve lost, those on minimum wage are highly likely to be forced financially back to work very

¹ Humpage, L. and Moore, C. (2021). Income in the wake of Covid-19: interviews. The University of Auckland, Child Poverty Action Group, Auckland Action Against Poverty and First Union. Retrieved from <https://www.cpag.org.nz/assets/Covid19%2520INTERVIEW%2520report%2520FINAL%252012%2520April%25202021.docx%2520%25281%2529.pdf>

² Cardwell, H. (2020). ‘Unfair outcomes’ for Māori seeking Covid income support. RNZ 3/11/20. <https://www.rnz.co.nz/news/te-manu-korihi/429746/unfair-outcomes-for-maori-seeking-covid-income-support>

³ Powell, E “ACC’s delivery to priority populations: Part 2 - Pāsifika peoples” Aide Memoire to Hon Carmel Sepuloni, Minister for ACC, ACC Reference GOV-010518 <https://www.documentcloud.org/documents/20893047-2-gov-010518-pasifika-access-to-acc> accessed via Bradley, A. “ACC biased against women, Māori and Pasifika - agency’s own analysis shows” RNZ June 2021 <https://www.rnz.co.nz/news/national/445178/acc-biased-against-women-maori-and-pasifika-agency-s-own-analysis-shows>

quickly, and may not be able to afford to retrain, particularly if they are sole parents. Thus, although they will be paying the levy, the ostensible benefits of NZII are, in practice, unobtainable for many low-wage workers.

We are also deeply concerned by:

1. The high likelihood that the flat rate levies will exacerbate poverty for those on low wages, particularly families with children. (MBIE NZII discussion document p42: *“With the introduction of an income insurance scheme, all employees and some self-employed will bear the cost of the levy. This will reduce a worker’s net income. How this affects households depends on individual and family circumstances. **Low-income families are likely to feel the effects most materially. This is particularly important because broadly half of children in poverty in New Zealand are in working households.**”* (emphasis added))
2. The regressive interaction with the welfare system, meaning that the ratio between what someone pays in levies and what they may receive in potential NZII benefits (above what they would receive via welfare) is better for those who earn high wages over those who earn low wages (MBIE NZII discussion document p140: *“Income insurance would replace some support from the existing benefit system for a short time. This means, although both low-income and higher-income workers will contribute the same flat portion of their income (the flat rate levy), the additional help provided to a low-income worker above current transfer payments will be proportionally smaller. **This interaction with the current welfare system may make the system somewhat regressive.** Some international insurance systems do not face this issue because their welfare systems are also funded from social security contributions, rather than the two being funded separately”* (emphasis added). In addition, the levy cost/potential new benefits ratio is better for those without dependents over those with dependents.
3. The exclusion of paid parental leave (PPL), unlike in social insurance schemes overseas. Arguably, one of the few rare arguments for income-related income insurance from an equity point of view is for PPL. High PPL entitlement (if implemented with ringfenced PPL for non-birthing parents) enables more non-birthing parents (usually the higher earner in the family) to spend time with their newborn and family, enhancing gender equity, coparenting relationships, parent-child relationships and mitigating the risk of post-natal depression. NZ’s weekly PPL income entitlement ceiling is extremely low,⁴ being ~80% of minimum wage (down from 100% of minimum wage in 2002), whereas other countries pay up to 100% of pre-birth income, and paying at least 80% is standard – around two-thirds of OECD countries do so for both maternal and paternal paid leave.⁵

⁴ Morrissey, S. (2018). Paid parental leave for 26 weeks: great--but what about the rate at which we pay?. *Policy Quarterly*, 14(4). <https://ojs.victoria.ac.nz/pq/article/view/5152/4585>

⁵ Raub, A., Nandi, A., Earle, A., Chorny, N.D.G., Wong, E., Chung, P., Batra, P., Schickedanz, A., Bose, B., Jou, J. and Franken, D., 2018. Paid parental leave: A detailed look at approaches across OECD countries. *WORLD Policy Analysis Center*. https://www.worldpolicycenter.org/sites/default/files/WORLD%20Report%20-%20Parental%20Leave%20OECD%20Country%20Approaches_0.pdf

4. The decision that those who have multiple part-time jobs (mostly women) will not receive 80% of the income of any one part-time job lost, but will have their entitlements capped at only 80% of their overall income. For example, if someone loses one of their two part-time jobs and now only receive 85% of their usual weekly income, they will not be eligible to receive any NZII top-ups, even if their income now means they are below poverty lines and/or are unable to meet basic costs. The MBIE discussion document rationale p56 that *“This [80% of all income] threshold is intended to reduce the number of claims for small amounts of lost income where the amount of income replacement would not have much effect on income smoothing”* shows a distinct lack of understanding that for low-wage workers with multiple jobs, often all income from all their jobs is vital to make ends meet, and the loss of any one of them can be significant. Given they will be paying the same levy as full-time workers, they should receive equivalent potential benefits/security (and 80% of any job lost is the way to do this as they’re not likely to lose all their jobs all at once). The discussion document rationale for the provision is likely to lead to one of the same exact discriminatory outcomes the Covid-19 Income Relief Payment is thought to have created. As benefit recipient advocate Kay Brereton [said](#): “The Covid Income Relief Payment is a really good example of people working within their own cultural paradigm where their reality is them and their friends have one job, they do it full time and if they lost it the world would be a terrible place. But not recognising that a lot of other people are in a different paradigm where they have two or three jobs and just losing one of them makes the world a terrible place because that’ll be the one that puts food on the table.”⁶
5. The halt of the levy at \$131k. We are a country whose systems rely on redistribution. There is no reason why the levy should stop at the same level as the payout; to do so will be to increase regression in the compulsory revenue gathering system.
6. The halt of the In-Work Tax Credit and Minimum Family Tax Credit payments for families receiving NZII on the rationale that these tax credits *“are designed to encourage people into employment, ensure people are better off in work than on a benefit, and help with in-work costs”* (MBIE discussion document p83). A key ‘in-work’ cost for families is childcare. If a sole parent loses their job, removal of the IWTC at a time they’ve lost 20% of their paid-work income will make it more likely that they have to remove their child/ren from childcare, disrupting the children’s lives at a time of precarity, and increasing caregiving duties of the parent when they are in a time of stress, trying to retrain and/or find work. Removing IWTC for those on NZII will make it more difficult for people to find employment, not less difficult.

In conclusion, we do not support NZII as it currently stands, as it is at a high risk of breaching te Tiriti o Waitangi, and of exacerbating inequity for Māori, women, Pacific peoples, disabled people and children. We would, however, support any progressive social insurance scheme, introduced after or at the same time as adequate welfare – not before.

⁶ Cardwell, H. (2020). ‘Unfair outcomes’ for Māori seeking Covid income support. RNZ 3/11/20. <https://www.rnz.co.nz/news/te-manu-korihi/429746/unfair-outcomes-for-maori-seeking-covid-income-support>