

Submission in response to the consultation document on Social insurance

This is prepared by Kay Brereton QSM on behalf of the Beneficiary and Unwaged Workers Trust Nelson.

Our organization has over 20 years' experience in assisting people on benefits and low incomes in their interactions with MSD.

We have concerns that the proposed scheme would have a negative impact on the people we assist and will increase divisiveness in NZ society.

Many people say that our welfare system is broken and does not serve recipients or potential employers well, in response the government commissioned the WEAG and is undertaking a review of the welfare system.

We believe that creating a parallel system to support those who lose their employment through redundancy or some other event to which they did not contribute should not be undertaken until the overhaul of the welfare system is complete and it can be clearly seen what gaps still exist.

We do agree that there is insufficient investment at present in Active Labour Market Policies, but we submit that investment in ALMP should be made to benefit all those who need it, regardless of how they came to be without employment. In fact, it is asserted that youth, people who experience precarious employment, and those who have been away from the labour market for a time have greater need for ALMP to increase their productivity long term.

At its crudest this scheme looks like a sorting mechanism so that the 'best' workers are supported better, kept in a separate pool, retrained and easily available for employers.

While it may be the greatest cost benefit to spend the ALMP dollar on those workers the market sees as most worthy, it will not benefit wider society to create this distinction between the no fault and faulty workforce, and it will create greater stigmatization of those on benefit, particularly in the job market.

While ACC may be able to administer wage compensation under the proposed scheme as it already does for those who qualify for support after an accident, we submit that ACC does not have capacity in ALMP.

We have concerns given some of the recent performance of ACC particularly in relation to how claimants personal information was stored and used. And also concerns relating to the proposed dispute resolution process, any process needs to be responsive and designed in such a way that the appellant is able to self-represent without the need for a lawyer, a right of appeal to District Court is real only if the appellant is able to access it this will not be the case if a person is out of work and not receiving compensation.

We do not support the provision of ALMP within ACC as it is submitted that ACC has experience in working with people with health limitations and that ALMP need to be provided by an organization dedicated to understanding labour market trends and needs,

and able to provide tailored career advice to all individuals. We submit that delivery of ALMP needs to be separate from the provision of income support, and would sit better within Careers NZ, this could be funded by a levy on employers.

We do however support the proposal to widen the cover provided by ACC to include people whose capacity to work has been diminished due to illness not directly related to an accident. We do not support this assistance being time limited and believe people with a health issue should be supported for as long as is needed. We hope that this is a first step to assisting all people with health and disability needs through the ACC system.

We are also concerned about the impact of a levy on wages on those on low incomes and suggest that there should be a minimum weekly income below which no levy is charged.

People are already struggling with increasing cost of living, and though the levy may seem small to those considering this proposal it is significant for those workers already struggling with increasing weekly costs.

We also have concerns about the power employers have to decide if an employee is to be considered to have become unemployed without fault, and that there seems to be a perverse incentive to dismiss an employee rather than to make them redundant and have to pay a further four weeks.

Also a question is if a business is insolvent what will be the implication for the four week payment?

So in Summary:

- We do not support the establishment of Social insurance until a full overhaul of the benefit system has been completed.
- We are concerned that the interface between welfare and the SI is not clearly explored.
- We feel that ALMP should be delivered by a specialist department with strong skills and capability in career planning and advice.
- We do not support the provision of ALMP by ACC
- We are concerned that the levy will have a significant negative impact on low-income earners and suggest a level below which the levy is not collected.
- We support the provision of ACC assistance and ERC for people with non-accident-related health or disability issues.
- We are very concerned that the introduction of SI will result in an increase in stigmatization of beneficiaries as the faulty portion of the not employed population, with those on SI being seen as the faultless more deserving reserve labour force.
- We are further concerned that this initiative may lessen the urgency for welfare system overhaul.