



April 2022

BACKGROUND

1. This is a submission from the Canterbury Employers' Chamber of Commerce ("The Chamber") on the proposed New Zealand Income Insurance Scheme.
2. The Chamber is a not-for-profit membership-based service organisation that has been the home and voice of business in Waitaha Canterbury since 1859. Comprised of over 2,700 members, The Chamber's purpose is to create a thriving Canterbury business community by advocating, connecting, inspiring, and empowering people. This is done through providing advisory and consultancy support in employment relations, human resources, health and safety, international trade, migrant support, manufacturing, research and development grants, training and development, and events to inspire, inform and educate our members. In the Covid-19 environment, this has included providing support to all businesses in the South Island through our 0800 50 50 96 Covid-19 Business Helpline and our dedicated Covid-19 Response Team. The Chamber is part of both the Business New Zealand network and the New Zealand Chambers of Commerce network.
3. The Chamber provides a voice for the local business community and to advocate for policies that will help shape and enable a local and national business environment that promotes innovation, productivity and economic growth as critical success factors underpinning a thriving economy and community. We are committed to responsible business behaviour and proactively encourage our members to engage in best business practices in relation to positive social and environmental outcomes.
4. The contents of this submission are based on insights from issues raised by members of the Canterbury Employers' Chamber of Commerce and the wider business community.

COMMENTARY

5. The Canterbury Employers' Chamber of Commerce is opposed to the proposed New Zealand Income Insurance Scheme and our recommendation is that it does not proceed in its current format. We will not support a scheme that includes sickness and disability, and we will not support a scheme that does not offset the costs of the scheme to employers and employees. The scheme must focus solely on retuning displaced workers to meaningful work **quickly**.
6. Our primary concern is that there is very little evidence to suggest that the proposed New Zealand Income Insurance Scheme will have any material impact on the labour market and very little evidence to suggest that it will improve economic conditions in New Zealand.
7. The problem that this scheme proposes to fix is poorly defined and there is no clear and present necessity for implementing such a scheme, nor any robust evidence as to how this proposal will impact the New Zealand labour market. The argument that New Zealand is one of only a handful of developed economies that does not have some form of social insurance for displaced workers therefore one should be implemented is not sufficient rationale for doing so.
8. Our secondary concern is that this scheme is being proposed at a time where both employers and employees are already facing significant cost pressures, combined with rampant inflation and a barrage of policies that are not conducive to economic growth. Proposing an additional tax of 2.78% to fund this scheme does not consider the current environment or the impact it will have on business. The Chamber is strongly opposed to it. It is effectively an expansion of the welfare system with employees and employers forced to pay for it. We would prefer to see a scheme that is cost neutral or at the very least opt-in by employees.
9. In addition, this scheme proposes that employers contribute a further four week bridging payment when an employee exits a job. This is a further additional cost on business that many small businesses will simply not be able to absorb and again, we recommend that it does not proceed.
10. New Zealand has one of the most redistributive welfare systems in the OECD as it stands, and this scheme will only contribute to that further. Employees who earn less are more likely to

experience job insecurity, therefore higher paid employees will pay disproportionately more for the scheme.

11. Furthermore, the proposal as it stands allows for up to seven months of payment for an individual to secure a new job. Three months would be more than generous.
12. It is perhaps also important to recognise that the welfare system exists for a reason, as do private savings, income protection insurance, and health and sickness provisions within the KiwiSaver Scheme in the case where ACC cover is not available. Mechanisms for financial support already exist in the case of job loss. There is no compelling case for another, and if these are not working sufficiently then the limitations of those – such as ACC – need to be address.
13. Increasing the level of financial literacy and facilitating personal choice in New Zealand would have a more profound effect than this poorly thought-out proposal that attempts to solve a problem that does not exist and impose further costs on both employees and employers at a time where everyone in New Zealand is already facing significant consequences of the highest rate of inflation in 32 years, a raft of additional regulations imposed over the last four years, and the significantly increasing cost of doing business.
14. The Chamber endorses the more detailed comments in relation to the associated costs and scope of the scheme in the BusinessNZ submission.

CONTACT

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Privacy of
natural
persons