

I am a retired IT professional with extensive experience in the government sector (MBIE, MSD and Education and Transpower). I have spent much of my career understanding, analysing and documenting data and business processes arising from government legislation. I am also tertiary qualified in psychology, cognitive science, information science and mathematics. I am also committed to social justice.

After applying the above skills and values to the current proposal for an employment insurance scheme I provide the following feedback.

Whilst I support the idea of providing better support for the unemployed the proposed scheme needs to be reconsidered in the context of the existing employment ecosystem. As it stands, I believe the scheme will substantially fail to achieve desired social justice outcomes.

The first point to note is that it seems to state that all employers and employees will pay a fixed percentage levy of the employee's income to fund this scheme but that not all employees will be eligible. This is particularly inequitable as, given the employment ecosystem in NZ, the primary beneficiaries of this scheme would seem to be lower middle class employees and those excluded would most likely be members of the precariat that are least able to spare a percentage reduction in income.

Thus a minimum equity requirement is that ineligible employees must be exempt from the payment. Though not their employers because exempting them would create a perverse incentive to maintain the precarious character of their work force.

I said the primary beneficiaries are longer term lower middle class because longer term government sector and corporate sector professional employees are likely to already have accrued comparable or better existing benefits than provided by the scheme at no cost to themselves.

In these sectors the replacement of existing schemes would have the perverse effect of increasing redundancies as the marginal cost of redundancy for the employer would fall to 3.2 weeks salary from a typical minimum of 4 weeks full pay plus at least one extra week per year of service, typically up to 26 weeks. It would thus be made very easy to replace longer term employees with fresh blood at almost no cost to the business. This raises issues of implicit age discrimination as the workers most disadvantaged would likely be the older ones. To address this unintended consequence of the proposed scheme without disadvantaging the existing professional workforce, it must be an additional entitlement to kick in after all of an employee's existing redundancy provisions have been exhausted i.e. it must be additional to and not a replacement of existing provisions.

Another, perhaps unintended, consequence of the scheme is that it also increases the coercive power of employers over their employees. It seems that in order to be eligible the employee would need to prove they had not been terminated for poor behaviour. Thus leaving quietly, rather than fighting an unjust 'redundancy' would be highly incentivized. To remove this consequence the employer would need to meet a high threshold of proof when declining to call the termination a redundancy.

Although 80% of wages/salaries per week may be seen as reasonable for the reasonably well paid. The scheme should support a starting point of 100% of wages for the lowest paid as they are likely to have the least financial resilience. Perhaps 100% should apply up to minimum wage plus 25% and then begin a staged decline to 80% for wages above that limit. The choice of 125% of the minimum wage is based on the observation that wages below that would fall below the minimum wage if paid at the proposed 80%.

The other problem with eligibility is that there is a fixed percentage of income loss that must occur before the scheme applies irrespective of income. Higher income people have far more capacity to cut back when encountering a partial income loss than those who are on subsistence wages. Thus the % level of income loss for eligibility should vary based on income. The lower the income the lower the percentage loss before the scheme kicks in.

Returning to those who would not be covered by the scheme. To improve equity, unemployment benefits should be unconditional for the first 6 months of any 18 month period. This would parallel the fact that the employment insurance benefits are unconditional for a similar time period. To do otherwise would imply that for some reason people without employment insurance are less ethical or motivated than those with it and so need sterner treatment. There would not seem to be a priori any grounds for asserting this.

In summary I approve the sentiment of giving the recently unemployed more resilience so that they have time to find suitable employment. I have endeavoured to address the potential negative consequences of the current proposal. If these consequences are addressed as I propose or in an equivalent manner I think the scheme will be a net benefit to NZ.

That said it should not be seen as a panacea and would be best accompanied with additional improvements in the existing unemployment benefits system.

Yours Sincerely

Caroline Doust