

From: Privacy of
To: [IncomeInsurance](#)
Subject: submission re: Income Insurance Scheme
Date: Wednesday, 9 February 2022 1:33:23 pm

Kia ora

Please find below my concerns about the proposed Income insurance scheme.

Research has shown that people who had access to such schemes took longer to rejoin the workforce after being made unemployed and I am concerned that the impact of insurance pay-outs will be to encourage laid-off workers to take extended paid breaks from employment.

The Government's proposed Income Insurance Scheme is very generous and benefits higher income workers disproportionately. There will be lower levels of support for those who have been earning less and these will be disproportionately young, female, and Māori and Pacific people. There needs to be consideration of whether the system should be tiered or capped due to differing income levels so that it doesn't favour the highest income earners.

I am concerned that the effect of the scheme may be that we have a two-tier welfare system, where some unemployed people get far more help from the Government than others.

I also believe that employers will feel even more comfortable shedding staff during a downturn and using restructures and redundancies to deal with low performers. Those who do this frequently will not have to pay a higher insurance premium, good employers will pay to support them. The scheme may also provide a perverse incentive for employers and employees to opt for permanent tenure followed by redundancy instead of hiring genuine temporary, seasonal workers.

A further perverse incentive relates to parental leave where those on higher incomes would be advantaged to agree redundancy with their employers rather than taking the lower Parental Leave entitlements. Both parents in a two-income family could take redundancy. I think this scheme will have the effect of increasing job losses for New Zealanders.

In the case of employment relationship problems, both sides in a fractured employment relationship can agree that the worker will be made redundant – saving the employer money, time and pain of a personal grievance process (from which they might actually need to learn, be sanctioned and subsequently improve their practices).

Finally, I think that the proposal to further tax employees to pay for this scheme, given some on lowest incomes can't afford it and others are already paying 39% of their income to the government, is wrong. By all means have a scheme, but find another way to fund it, or downsize it to have a smaller impact.

Catherine Smith