



22 April 2022

## Consultation on proposed New Zealand Income Insurance scheme

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### Introduction

Citizens Advice Bureaux New Zealand | Ngā Pou Whakawhirinaki o Aotearoa (CAB) welcomes the opportunity to provide a written submission on the proposal for A New Zealand Income Insurance Scheme.

We welcome the focus on addressing the needs of people who have lost their jobs and require support. As the Welfare Expert Advisory Group report noted, “Compared with OECD best practice, New Zealand has an inadequate system of dealing with job loss, redundancies and labour market shocks<sup>1</sup>.”

### Our service

CAB provides a free, confidential, and independent service of information, advice, and advocacy. We help people know and understand their rights and responsibilities, feel empowered to act on them, and find the community services they need. When we see that policies or laws aren't working well for people, we act as a voice for positive social change.

Our service is provided from over eighty locations around the motu by our 2,500 trained CAB volunteers. In the past financial year (amidst the challenges presented by COVID-19), the CAB assisted with 367,794 client interactions across the range of issues that affect people in their daily lives, including tenancy rights, relationship issues, employment problems, faulty goods or poor service, and immigration processes.

Every time a person seeks the CAB's help, we record what they sought help with and what we did in response; this gives us unique information about the issues affecting people in communities nationwide.

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<sup>1</sup> Welfare Expert Advisory Group, *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand*, 2019, p.136.

## The proposed scheme

This short submission places the proposal to introduce an income insurance scheme within the context of the wider system we currently have in Aotearoa for providing income to those not in paid employment and in need of financial support. We address the ethics of the proposal and recommend a way forward for providing effective and more equitable support for those who experience displacement and loss of work due to redundancy, health conditions or disabilities.

We see the impacts every day of job loss, through our work with clients. In the last year we've helped around 1,000 clients who have been made redundant, or who are concerned that they are facing redundancy, and hundreds more who have lost their job for reasons of disability or illness.

We also see the impacts of a welfare system not fit for purpose. In the past year we have helped approximately 5,000 people specifically with income support enquiries and another 5,000 people with general financial difficulties.

Through our work with these clients, we witness the stress that the inadequacy of the current system causes both for people who unexpectedly lose their jobs, and for people on income support for other reasons. This is because, for most people, income support entitlements are not enough to cover living costs let alone basic social participation costs.

We believe the proposal for an income insurance scheme highlights the inadequacies of our welfare system and the need for its reform. The system is supposed to be the protection and safety net for people who are not in paid work, including those between jobs. The proposal signals Government's recognition that current benefit levels are inadequate for supporting people who have lost their jobs and need financial support - and we agree.

We are concerned that the income insurance proposal risks creating what would effectively be a two-tier system that provides good support for many workers for a period of time after job loss, while leaving people needing financial support for other reasons languishing in poverty on income support.

It is our belief that the focus should be on redesigning our welfare system so that people receive enough for their living and social participation costs, Work and Income proactively delivers people their full entitlements in a timely, respectful and non-judgemental way, and job seekers are given the resources and support they need to regain suitable employment.

We recommend the Government increases core benefit levels to the standard of liveable incomes<sup>2</sup> and fully implements the recommendations of the Welfare Expert Advisory Group (WEAG)<sup>3</sup>.

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<sup>2</sup> Fairer Future collaboration, [What are liveable incomes in 2022? Discussion paper and methodology](#), 2022.

<sup>3</sup> Welfare Expert Advisory Group, [Interim Report to the Social Wellbeing Committee](#), 2018.

These actions will create a more equitable and effective social safety net, they will help Aotearoa face the ongoing impact of the pandemic and the need for a just transition to a low emissions economy, and they will address the other core issues that the proposed income insurance scheme is intended to tackle.

Thank you for the opportunity to contribute to this work.

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