

SUBMISSION

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On the proposed New Zealand Income Insurance Scheme

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Introduction

Thank you for the opportunity to file this submission on the proposed New Zealand Income Insurance Scheme slightly after due date.

For expediency, this submission will only address the first question in the consultation document - "Do you agree New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities?"

About CCNZ and its members

CCNZ members carry out most of the country's civil infrastructure construction and maintenance work. We estimate the civil construction sector carries out more than \$12 billion of work annually and employs more than 40,000 workers. Typical employees range from labourers to tradespeople to engineers.

We represent more than 450 contracting businesses, ranging from large civil construction and infrastructure companies employing thousands of staff to very small contractors and family businesses. We also represent more than 260 businesses that provide equipment and services to support civil construction. The principal clients our members work for are central and local government agencies.

The civil construction industry is facing a significant shortage of workers and skills. Eighty-two per cent of our members say they would recruit today if there were people with the right skills available.

Summary

CCNZ does not support the introduction of a public income insurance scheme. Rather, CCNZ supports a national debate on the merits or otherwise of the introduction of a scheme to support workers made redundant.

We recognise the proposal has undergone a significant amount of work from the tripartite working group, however we do not consider it has been adequately socialised with businesses or the general public.

The timeframe proposed for the scheme to start operating in 2023, without the opportunity for businesses to plan to offset the additional costs seems rushed and inappropriate. These sorts of changes fundamentally affect the way our labour market is structured.

There is potential for this scheme to create or escalate disputes between workers and their employers, and the details and consequences need to be thought out carefully. More time is also required for financial consideration, so businesses can understand and articulate how the changes affect their margins of safe operation and existing work in progress.

If there is to be an income insurance scheme, CCNZ does not support the inclusion of sickness and disability in the scheme.

CCNZ supports a different consultation focussed on whether the welfare system efficiently and effectively supports displaced, sick or disabled workers.

What is the problem that we are trying to solve?

New Zealand is in a unique position compared to other developed economies. We do not suffer from high and persistent levels of unemployment, and we have a labour market that has functioned well in relatively recent times. This has meant that displaced employees who are motivated to work are likely to quickly find new employment.

Our labour market is complemented by a programme of welfare support targeted at those who are the most in need. Whether or not that welfare support is designed most efficiently is not the subject of this consultation. However, deficiencies in the welfare system should not be mistaken for some failure in the labour market, and changes to the labour policy settings should not be used to mask deficiencies in welfare support.

Commercial consequences

We contend that these changes should be considered as long-term solutions rather than rushed in. While the proposals merit discussion and debate in the long term, this is not an appropriate time to rush in significant changes to how people are employed.

Now is not the time to load yet more cost onto businesses. Few of these costs can be passed on to customers, leaving businesses to carry that burden at a time when they can least afford it.

Civil construction businesses have faced unprecedented challenges over the past two years, and these have left our members vulnerable, exhausted, and mentally drained.

Our members report that:

- Low unemployment and closed borders have resulted in a critical shortage of workers across construction, and for civil construction trades in particular.
- This shortage, and intense competition for skilled workers, is pushing salaries to unsustainable levels within this industry.
- Strong demand in New Zealand coupled with global supply chain disruption, has led to material shortages resulting in massive material price inflation and significant delivery delays.
- Fuel cost inflation largely due to the Russia-Ukraine conflict is hurting businesses with a significant reliance on fuel.
- New Zealand monetary policy driving domestic derived inflation adds to the commercial pressures, including with business financing costs and input cost increases.

In addition to these commercial pressures, government labour policy decisions have further piled costs and pressures onto business, including extra sick leave, an additional public holiday, and increases in the minimum wage which have a ripple effect right through a business. They also now face the prospect of compulsory collective employment agreements through the Fair Pay Agreements Bill, which could radically and negatively impact workplaces.

Although the proposal is that employers and employees will share the financial burden of contributions to the scheme, in a tight labour market it is inevitable employers will shoulder most of the additional burden. For instance, employees may exploit their strong bargaining position, demanding insurance premiums be factored into renegotiated salaries.

The costs incurred are unlikely to be limited to the employer and employee contributions. While the dispute resolution service may be funded, there will be unforeseen cost for employees and employers. While dispute resolution is covered in the discussion paper, we risk creating an industry of employment dispute resolution.

Cost offsets

If there is to be an income insurance scheme, which we oppose, there must be an opportunity to offset resulting costs to minimise the financial impact on workers and employers.

Making the scheme more cost neutral through tax relief or some other means of reducing government-imposed costs on employers and workers would be essential.

We also ask the government recognises that some infrastructure projects take years to construct, but pricing is agreed prior to construction, making it difficult to factor in unplanned changes to project cost.

Sickness and disability

Currently, workers who become unable to work are entitled to access unemployment or sickness benefits from the social welfare system after a standdown period. However, many can't access these benefits as they are means tested. The benefit system is disconnected from processes to assist displaced workers to regain work commensurate with their skills.

Unlike redundancy situations, where those displaced will usually be able to return to work immediately, there is no work available to workers who are unable to work because of sickness or disability. To that end, the approaches to these two situations will inevitably be very different, and the cost and processes needed for the latter group much less certain.

These uncertainties which are inherent in situations where a sick or disabled person may be unfit for any work, coupled with the complexities that surround treatment and rehabilitation, make any accurate assessment of the true costs of such an insurance scheme very difficult, and the risks associated with inclusion substantial.

CCNZ does not support the proposal to include sick and disabled workers within the coverage of the scheme.

Conclusion

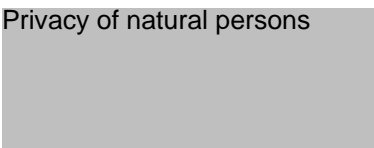
Thank you for the opportunity to make this submission.

CCNZ does not support the introduction of an income insurance scheme at this time, instead favouring a broad and well-informed national debate on the merits or otherwise of the introduction of a scheme to support workers made redundant.

CCNZ does support a process of reviewing whether the current welfare system and settings efficiently and effectively support displaced, sick or disabled workers.

If you require more detail, please do not hesitate to contact us directly.

Privacy of natural persons



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