

Submission template

A New Zealand Income Insurance Scheme

This is the submission template for the discussion document, *A New Zealand Income Insurance Scheme*.

The Ministry of Business, Innovation and Employment (MBIE), on behalf of the Government, Business New Zealand and the New Zealand Council of Trade Unions, seeks your written submission on the matters raised in the discussion document by **5pm on 26 April 2022**.

Your submission could be made public

The information provided in submissions will be used to inform policy development on the proposed income insurance scheme, including how it could be improved and how it could affect different groups. We may contact submitters directly if we require clarification of any matters in submissions.

The *Privacy Act 2020* applies to submissions and responses. Any personal information you supply to MBIE in making a submission will only be used for the purpose of assisting in the development of policy advice as part of this review. When businesses or organisations make a submission, we will consider that you have consented to the content being included in any summary of submissions unless you clearly state otherwise. If your submission contains any information that is confidential or that you do not want published, you can say this in your submission. Please clearly indicate in your cover letter or email with your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that may be published.

Submissions and responses may be subject to requests for information under the *Official Information Act 1982*. Please clearly indicate in your cover letter or email with your submission if you have any objection to the release of any information in your submission, and which parts you consider should be withheld, together with the reasons for withholding the information. Your views will be taken into account when responding to requests under the *Official Information Act 1982*. Any decision to withhold information requested under the *Official Information Act 1982* can be reviewed by the Ombudsman.

How to make a submission

Please send your written submission on the options and questions in this consultation document by **5pm on 26 April 2022**. You can make your submission (preferably using this submission template) as follows:

1. Include your name, the name of your organisation (if applicable), and contact details. We may contact submitters directly if we require clarification of any matters in submissions.
2. Your submission may respond to any or all of the questions in the consultation paper. Where possible, please include information or evidence to support your views. We also encourage your input on any other relevant aspects of the income insurance scheme in the "Other comments" section.
3. Sending your submission:
 - a. Attach as a Microsoft Word document or searchable PDF and email to:

incomeinsurance@mbie.govt.nz (preferred), or

b. Mail your submission to:

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6145

If you have any questions on the submissions process, please contact incomeinsurance@mbie.govt.nz.

Submission on A New Zealand Income Insurance Scheme

Your name and organisation

Name	Craig Hall
Organisation (if applicable)	N/A
Contact details	Privacy of natural persons

Responses to consultation document questions

Chapter 4 – How a new income insurance scheme could achieve our objectives (Pg 30-48)

The Forum considers the benefits of income insurance for job loss due to displacement or health conditions would outweigh its costs.

1 *Do you agree New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities?*

Yes, strongly support

Chapter 5 – Honouring Te Tiriti o Waitangi (Pg 49-51)

Kawanatanga – Good governance and partnership

2 *How can we ensure the proposed income insurance scheme honours Te Tiriti o Waitangi?*

Engage with Iwi

Actively put Iwi suggestions into practice

Review regularly and iterate – this should not be ‘one and done’

3 *What are the opportunities for partnership and Māori representation in the proposed income insurance scheme’s governance and operations?*

At least one position on the governance board (more is fine, but 0 isn’t)

Sufficient appointments in operations

Appropriate training

4 *How can we ensure equity of access, participation, and outcomes for Māori in the proposed income insurance scheme?*

Engage with Maori

Design case management systems with their feedback – be open to suggestions like contracting out as much as necessary to Maori organisations e.g. case management, application services (ACC could still assess applications, but funding Maori organisations to assist Maori through the process would be beneficial)

5 *How can we reflect and embed te ao Māori in the proposed income insurance scheme's design?*

Ask Iwi and actually listen to them

Chapter 6 – Coverage for displaced workers (Pg 53-72)

Displacement and standard employment (full- and part-time permanent employees)

6 *Do you agree with defining displacement as the involuntary loss of work due to the disestablishment of a job?*

Broadly, but see my answer to 9 where significant loss of hours may potentially be useful in some circumstances.

7 *Do you agree with excluding poor performance and gross misconduct as reasons for claiming insurance?*

In principle, but there needs to be an assessment/appeal process for employers who misuse these processes to avoid paying the first 4 weeks of income insurance. Anecdotally, the American system suffers from this as 49 of 50 states have 'At-Will employment' i.e. employers and employees can terminate employment with no notice or reason, but employers still use manufactured performance issues as an excuse to avoid increased unemployment insurance levies (an individual employer's levies increase if they are the cause of a lot of former employees using the scheme).

A gap in the consultation document is 90-day trials as dismissals under these do not require a reason, and employers should not give a reason (the protection from personal grievances is lost if a reason is given). I recommend employees dismissed under a 90-day trial should be eligible for income insurance as the trial is designed to allow for no-fault and no-reason dismissals, which is in keeping with the principles in the consultation documents (to avoid incentivising rorts, an individual being subject to multiple dismissals could be investigated as a suspicious pattern).

Probation arrangements may also need to be investigated further as these provide for dismissals early in a job with less scrutiny/fault/support which could suggest a case for paying insurance where these do not work out.

8 *Do you agree with excluding resignation as a reason for claiming insurance?*

In principle, but occasionally constructive dismissal happens and handling this without requiring a personal grievance would avoid burdening that particular system. Irregular hours and rostered shifts e.g. fast food is rife with reducing hours to a point below liveable wages as a means to induce employees to leave.

Also, careful consideration is required of how the scheme handles an employee resigning due to significant mental health issues, especially if they are caused by work. Those employees presumably would be covered by the scheme generally if the situation is covered by a medical certificate and they didn't resign – compounding that situation further by denying or approving coverage based on whether or not they resigned seems like something to avoid.

Coverage provided for complete job loss only

9

Do you agree that income insurance should cover only the complete loss of a job, and cover situations where a person loses only one of several jobs that they hold?

For simplicity's sake, yes as simplicity is good design aim, but I note that it would incentivise an employee opting for redundancy over a large reduction of hours (common law provides that a significant reduction of hours triggers redundancy if an employee wants to take that path) – in large economic shocks, more people remaining in part-time work and being topped up to 80% temporarily may be a better solution which this would exclude.

For example, take a business where sales has reduced significantly, and two FTEs in the same job both earning \$100,000 need to be reduced to one FTE paying \$100,000. One person stays, one is made redundant, cost to scheme is \$40,000 (80% for 6 months) = \$6,667 per month. If both job-shared temporarily i.e. 0.5 FTE each earning \$50,000, and topped up to 80%, cost to scheme is \$30,000 (topping up to 80% for 6 months) = \$5,000 per month.

Enabling this by regulation in times of major shocks may be useful e.g. Governor-General by Order-In-Council.

Also note my comment in question 8 that irregular hours and rostered shifts e.g. fast food is rife with reducing hours to a point below liveable wages as a means to induce employees to leave.

10

Do you agree that insurance would be payable only where income loss was greater than a minimum threshold, such as a 20 percent loss of total earnings, counting income from all of their jobs?

Yes.

Displacement and non-standard employment – a principle-based approach

11

Do you agree that it is important to provide income insurance coverage to non-standard workers, where practical?

Yes, one of ACC's great successes is its broad applicability.

12

Do you agree that income insurance should cover the 'loss of reasonably anticipated income'?

Yes.

13

Do you agree that income insurance entitlements should be based on an 'established pattern of work'?

Yes – this should be clearer with Holidays Act updates as this is also an issue regarding eligibility for Public Holidays for irregularly rostered staff, so linking to that may be useful.

Coverage provided for fixed-term and seasonal employees

14

Do you agree that income insurance should cover fixed-term and seasonal employees if they are displaced before the end of an employment agreement, with the duration of the payment running

to the scheduled end of the employment agreement, or the maximum insurance entitlement duration, whichever is shorter?

Yes.

15

Do you agree that income insurance should cover fixed-term and seasonal employees, where their employment agreements are not renewed, and they can show a regular pattern of work and reasonable expectation of future income?

Yes, although this will require careful wording or monitoring to avoid rorts of employers rotating through a larger pool of workers so they all get paid every 3-4 years. E.g. Business A employs 200 people each year, but has a pool of 300 workers, so every year, 100 of them are on income insurance as there is not enough work for all of them.

Coverage provided for casual employees

16

Do you agree that income insurance should cover casual employees who can show a regular pattern of work with an employer and a reasonable expectation of future income?

Yes, although that sounds like permanent part-time employees with irregular hours and shifts misclassified as casual.

17

How would these design choices work in practice? What risks can you see with the approach to establishing a regular pattern of work?

As this is being worked on for the Holidays Act review and eligibility for sick leave etc., making use of that language may be useful. Misclassifying permanent part-time workers with irregular shifts/hours as casual is a general problem in NZ.

The risk in any approach around casual employees is incentivising a limit of work for casual employees to avoid eligibility for income insurance, leave under the Holidays Act etc.

Coverage for self-employed workers

18

What risks do you see with covering, or not covering, people in self-employment?

Not covering undermines the integrity of the system – universality is one of the strong selling points of ACC.

Obvious risk of covering them is the possibility of rorting the system – shareholder-employees especially may just stop working for a break/holiday and claim insurance.

19

Are there some groups of self-employed who should and should not be covered?

High income self-employed.

20

How can we practically distinguish between contractors who resemble employees, and those with a high degree of independence?

My suggestion is to use both profit and revenue thresholds:

- Income is based on IR3 as it is for ACC; and
- Owners of a business above a certain revenue threshold are ineligible unless economic circumstances are sufficiently bad that a specific government decision provides for it temporarily. Revenue can be checked by requesting GST returns.

Dependent contractors are typically those with a large percentage of revenue from a small number of clients, so the critical definition points would be what percentage and number of clients. Revenue thresholds for businesses could still apply.

Some care would be required for definitions around owners of a business as shareholders in companies listed on the NZSX should obviously not be excluded from eligibility based on owning those shares.

To an extent, the limits of the scheme itself such as the maximum income threshold and 6/18 month contribution threshold help minimise rorts.

Because a self-employed person cannot technically be made redundant, what types of events would be appropriate 'triggers' for insurance payments?

Events outside their control e.g. natural disasters, notifiable diseases, economic shock, certain types of government action, cessation/liquidation of business within certain parameters.

22

How do you think the levy should be collected from self-employed workers?

Same way ACC does it using IR3 returns.

A modest minimum contribution period

23

Do you agree with the proposed minimum contribution period of six months over a period of 18 months preceding the claim?

Yes.

Limits on subsequent claims

24

Do you agree limits should be placed on the number claims people can make?

Yes, where rorts have been detected.

25

Do you agree with limiting claims to a total of six months within an 18-month period?

Yes.

26 *Could the risks associated with a low contribution history be managed in other ways?*

Automatic exclusion unless they meet certain criteria.

Coverage for New Zealand citizens and residents

27 *Do you agree with limiting coverage of the proposed income insurance scheme to New Zealand citizens and residents?*

Yes.

28 *To ensure New Zealand workers are not disadvantaged by lower cost international workers, do you agree that working holiday makers, international students and temporary work visa holders – and their employers – should contribute to the proposed income insurance scheme’s costs?*

Yes.

Chapter 7 – Entitlements for displaced workers (Pg 73-95)

Income caps and income replacement rates that match the accident compensation scheme

29 *Do you agree with a replacement rate set at 80 percent?*

Yes, matching ACC makes it simpler to administer and understand.

30 *Do you agree with a cap on insurable (and leviable) income set at the same rate as the accident compensation scheme (currently \$130,911)?*

Yes, matching ACC makes it simpler to administer and understand.

Only personal exertion income would abate (reduce) insurance entitlements

31 *Do you agree that only the insurance claimant’s personal exertion income should affect their insurance entitlements?*

Yes.

32 *Do you agree that income insurance should have individualised entitlement, meaning a partner’s income would not affect the rate payable?*

Yes.

Abatement rates would ensure a claimant is not financially better off as a result of their loss of work

33 *Do you agree that someone should be able to earn some income from paid employment before it affects their entitlements to income insurance?*

Yes.

34

Do you agree that insurance should abate 'dollar for dollar' when earned income and insurance combined reach 100 percent of previous income?

Yes.

Insurance would generally be treated as income, to determine eligibility for welfare and student support

35

Do you agree that insurance should be treated as income for assessing eligibility for income support such as main benefits and Working for Families tax credits and student support?

Yes.

36

Given the purpose of the In-Work Tax Credit and Minimum Family Tax Credit in encouraging people into employment and helping with in-work costs, do you agree that income insurance claimants would not be eligible for these tax credits?

No, I do not agree with this. This scheme has clearly drawn on ACC for many design elements, and ACC does not affect eligibility for either of these Working for Families credits. As an insurance scheme designed to replace income for loss of work through no control of the insured, I do not believe it succeeds in being insurance if it affects eligibility for Working for Families.

I also note that the loss of income for a low-income single parent worker being made redundant becomes much higher as a proportion of income if In-Work Tax Credit (IWTC) is also lost which runs counter to the principle of maintaining 80% of income as a smoothing mechanism. It also discriminates against single parents as a double income family will still qualify for IWTC on the hours test, and as single parents are more commonly women, arguably this will also discriminate against women on average.

For example, a single parent with 1 child and an income of \$50,000 is made redundant. This is \$764.42 per week after deductions of PAYE and 3% Kiwisaver. Their weekly Working for Families entitlement is \$74 + \$72 = \$146 for a total of \$910.42. The IWTC here is nearly 10% of the wage after tax. After being made redundant, their weekly income insurance payment would be \$619.15 after deductions of PAYE and 3% Kiwisaver and either \$693.15 without IWTC or \$765.15 with IWTC. Now IWTC is nearly 12% of the insurance payment after tax.

I have not adjusted Family Tax Credit (FTC) in this example as income insurance is temporary, so it is difficult to calculate the correct FTC as it will be affected by how quickly the worker finds a new job (I used to work for IRD and explained these calculations to clients regularly), and any underpayments will be squared up in the annual tax return, so IRD advice would typically be to not change anything unless the worker was certain of their new annual income figure.

I also note that eligibility for IWTC currently is 1 hour of employment, so the marginal effect of the first hour of part-time employment would be high being the hourly wage + \$72.

The impact of losing Minimum Family Tax Credit (MFTC) is even higher as eligibility for MFTC also automatically includes eligibility for IWTC, so the IWTC example above would apply, but more pronounced.

Insurance claimants could also receive New Zealand Superannuation or the Veteran's Pension

37 *Do you agree that income insurance claimants could also receive New Zealand Superannuation or the Veteran's Pension?*

Yes.

38 *Do you think a limit should be placed on the amount of time someone can receive New Zealand Superannuation or the Veteran's pension and income insurance?*

No, income insurance is time-limited anyway.

Where eligible, insurance claimants could choose whether to access Paid Parental Leave or income insurance and may receive both sequentially

39 *Do you agree that income insurance and Paid Parental Leave could be accessed sequentially but not at the same time?*

Yes, although I suggest examining potential flexibility to have Paid Parental Leave paid out at a higher rate for a shorter time frame might be helpful to some parents to assist income smoothing.

Insurance claimants could also receive ACC weekly compensation where it covers a different income loss

40 *Do you agree that claimants should be able receive both ACC weekly compensation and income insurance at the same time for differing income loss subject to independently meeting the eligibility criteria for both?*

Yes for different income sources or to a maximum of 100%, but not 80% of the same income twice.

A sufficient base entitlement period

41 *Do you agree with a base insurance entitlement length of six months, plus a four-week bridging payment paid by the employer?*

This seems reasonable and can obviously be reviewed and calibrated after a few years.

42 *Would you support a longer or shorter length of base insurance entitlement?*

I am not opposed to either but would prefer longer. Temporary extensions for poor economic conditions may be appropriate e.g. by government decision. People who become unable to work longer term due to illness or disability may need some sort of extension or graduated income drop to get more time to adjust to a longer term or permanent change in circumstances.

Extending the maximum period in specified circumstances

43

Do you think the scheme should allow extensions to the base period of income insurance entitlements for training or vocational rehabilitation?

Yes.

Enhancing the income insurance scheme with notice periods

44

Do you agree that employers should give at least four weeks' notice to employees, and the insurer, before redundancy takes effect?

Yes.

Avoiding unnecessary redundancies

45 *Do you agree that employers should pay former workers for the initial period of unemployment for four weeks?*

Yes.

46 *Should bridging payments be applied to all workers, including those not eligible for income insurance?*

Yes.

47 *Should the income insurance scheme finance bridging payments in circumstances where the payments are not forthcoming from employers, and refund employers for bridging payments if workers find work within this period?*

Yes.

48 *Do you consider that stronger integrity measures are necessary to manage the risk of spurious claims to the income insurance scheme?*

Yes.

Chapter 8 – Coverage and entitlements for loss of work due to health conditions or disabilities (Pg 96-112)

No restrictions on the types of conditions covered by the income insurance scheme

49 *Do you agree there should be no restrictions on the types of conditions covered by the scheme?*

Yes, agree.

No restrictions on the working arrangements covered by the scheme

50 *Do you agree that all work arrangements should be covered (assuming other eligibility criteria are met)?*

Yes, agree.

Coverage for loss of at least 50 percent of capacity to work, for at least four weeks

51 *Should the scheme cover partial loss of earnings due to a health condition or disability reducing work capacity?*

Yes, absolutely.

52 *If partial loss is to be covered, do you agree claimants should have at least a 50 percent reduction of capacity to work caused by a health condition or disability and that reduction is expected to last for at least four working weeks?*

Yes, although as the suggested design is payment of 80% of previous income, there is something to be said for any reduction below 80% being eligible for "topping up".

Claimants' medical practitioners would assess work capacity, with final eligibility assessed by the scheme administrator

53 *Do you agree that the claimants' health practitioner should be the main assessor of work capacity?*

Yes.

54 *Do you agree that, where appropriate, employers could provide supporting information to inform the claimant's work capacity assessment process?*

Yes.

Employers would remain responsible for taking reasonable steps to support an employee to continue working

55 *Are the current requirements on employers to make workplace changes sufficient to allow health condition and disability claimants to return to their regular employment (or alternative work)?*

Yes as long as ACC are involved in enforcement if necessary.

56 *How could employers be supported to help workers with health conditions or disabilities to remain in or return to work?*

Take note of medical and specialist advice on the subject.

Employers would be expected to make reasonable efforts to keep a job open where a return to work within six months is likely

57 *Where an employee must stop work entirely because of a health condition or disability, do you think employers should be expected to keep a job open and help with vocational rehabilitation where a reasonable prognosis is made of return to work within six months?*

Yes.

58 *Should this be a statutory requirement placed on employers or an expectation?*

Statutory requirement.

The scheme would generally meet the full cost of income replacement once a claim is accepted

59 *Do you agree that employers should only pay a bridging payment to employees leaving work because of a health condition or disability when the employment is terminated by the employer?*

Yes.

Chapter 9 – Insurance claimants' obligations (Pg 113-120)

Reasonable obligations for people receiving income insurance payments

60 *Do you agree claimants should be obligated to look for work or prepare to return to work while receiving insurance?*

Yes, but also believe that a light touch and high trust are enough for most recently unemployed workers.

61 *Do you agree that claimants would not be expected or required to accept offers of employment that provide lower wages or conditions?*

Yes.

62 *Do you agree the insurer could waive obligations partially or fully where a claimant is unable to meet those obligations?*

Yes.

63 *Do you agree claimants should be obligated to remain in New Zealand to remain eligible for income insurance?*

Broadly agree, subject to the suggestion of short overseas trips being permitted as per Q64.

64

Do you think a period of time, such as 28 days, should be allowed for travel overseas, for example, to support ill family?

Yes.

Specific obligations for claimants with a health condition or disability

65

Should claimants with health conditions or disabilities be subject to obligations to participate in rehabilitative programmes and other support, where appropriate?

Yes, but need to tread carefully here.

66

Should claimants with health conditions and disabilities be subject to obligations to search for work or undertaking training where they are able to?

Yes, but need to tread carefully here.

Consequences for non-compliance

67

Do you think financial penalties should be in place for people who do not meet their obligations while receiving insurance payments?

Agree but only as a last resort.

68

Do you agree that payments could be fully suspended in cases of serious, intentional non-compliance with obligations?

Yes.

69

Do you think any other consequences should be in place for people repeatedly not meeting their obligations, such as permanent suspension of entitlements?

Moderately lengthy suspensions make some sense as a deterrent but not permanent suspensions – people change their ways, and permanent is a long time.

Chapter 10 – Delivering income insurance (Pg 121-134)

Independent and effective delivery

70 *Do you think it is best for ACC to deliver the income insurance scheme alongside the accident compensation scheme?*

Yes.

71 *Would the income insurance scheme be better delivered by a government department or a new entity?*

No.

Accountable and effective governance

72 *How could employer and worker perspectives best be incorporated to strengthen the income insurance scheme's delivery for New Zealanders?*

Members of the board and regular surveys/reviews/reports from advisory groups.

73 *How could Māori perspectives best be incorporated to ensure the income insurance scheme is delivered equitably and with aspiration?*

Consult with Maori regularly and often, and listen to and incorporate what they say.

Displaced workers: Getting back to good jobs

74 *What practical support should be available to insurance claimants to return to work?*

Anything within reason (e.g. should be cost-effective) that will encourage claimants to return to work promptly. CVs and application letters, interview training and practice, appropriate clothes, transport as required are all practical measures for obtaining work. Training and upskilling may be appropriate, and even things like equipment/tools, mentoring and the like can be appropriate for certain fields e.g. apprentices or something like a builder becoming a building inspector.

75 *Who should provide that return-to-work support?*

ACC, Maori and other providers where appropriate. I have a preference for government agencies maintaining in-house capability over contracting out, but for culturally appropriate services, contracting those out to Iwi and other relevant providers could be appropriate.

76 *What type of claimants would need an employment case manager, and who could self-manage?*

ACC and MSD could no doubt provide plenty of excellent detail in this area, but broadly suggest triaging with an initial meeting, and taking it from there. Some workers will be completely work-

ready, others will need more but straightforward work, and still others will need professional help.

77 *What do you think a 'return-to-work plan' should include?*

As much or as little detail as the claimant feels necessary with the guidance of the case manager.

Health condition and disability claimants: Getting back to good jobs

78 *What practical support should be available to income insurance claimants with a health condition or disability to return to work?*

Workplace assessments if necessary, appropriate equipment and modifications, appropriate treatment including counselling if necessary.

79 *Who should provide that support to return to work?*

Suggest ACC could, but see above about contracting out for culturally appropriate or specialist services.

80 *What type of claimants would need a case manager, and who could self-manage?*

Case manager would be required if any assistance is required, but probably not if there is a clear return to work date from the medical practitioner and no assistance e.g. equipment/modifications required.

Dispute resolution

81 *Do you agree with the proposed four-step dispute resolution process for the scheme?*

Yes but will need to be well-resourced to avoid delays and backlogs.

82 *Are there specific aspects to the scheme's dispute resolution you think should be considered?*

Intersection with existing employment resolution procedures e.g. what happens if a personal grievance leads to a change in determination.

Scheme integrity and enforcement

83 *Do you agree with the proposal to establish an effective offences and penalties framework to protect the scheme's integrity?*

Yes, although any enforcement should avoid MSD's punitive approach to beneficiary non-compliance.

Information collection and sharing

84

Do you agree with the proposal to develop information sharing agreements and sharing arrangements with employers, other agencies and service providers?

Yes, particularly IRD as they are likely to hold a lot of relevant information.

Chapter 11 – Funding income insurance (Pg 135-144)

Most funding would come from compulsory levy payments on income

85 *Do you agree the income insurance scheme should be funded from compulsory levies on the income that is insured, rather than from general taxation?*

Broadly yes but one issue as identified in the discussion document is whether to have differing levies for lower income workers as income below a particular threshold is paying a levy for nothing because they would be eligible for jobseeker support (or other benefits). This could be addressed by having the government top up the fund by an amount to recognise the savings in benefits, and using that to offset the levy reduction.

This issue is more pronounced for single parents as their benefit rates are quite a bit higher, so if they earn approx. \$636 before tax which is approx. 30 hours at minimum wage (or fewer hours at a higher rate) to fit in with school hours, they will be paying for income insurance that is inferior to sole parent support (or jobseeker support with 1 child for a child aged 14 or over). If the IWTC eligibility is maintained while receiving income insurance as I recommend above, this is reduced to approx. \$440 per week after tax or approx. 25.5 hours at minimum wage.

This additional levy is approx. \$8.84/week at the higher income or \$7.50/week at the lower income, which may not seem high, but will cause budgetary stress for some families.

As noted above for IWTC, this may have a discriminatory effect as single parents in this situation are more commonly women.

This may be too difficult to address, but one option is for the government to increase the Family Tax Credit by an amount equivalent to the levy, and another is to specifically target single parents with a minimum income insurance payment so their levies are not effectively wasted.

Levy payments would be shared by employers and workers

86 *Do you agree that levy contributions should be equally split between the employee and employer?*

Generally yes but see my answer to Q85.

87 *Do you agree that levies for health conditions and disabilities and for redundancy should be set separately?*

Yes.

Both the employee and employer would be charged at a flat rate

88 *Do you agree that employees should be levied at a flat rate on income below \$130,911?*

This is the simplest option but see my answer to Q85.

89 *Do you have any other suggestions for how the employee levy should be structured?*

As above, having a threshold to recognise benefit eligibility but topping up from taxes rather than increasing levies above the threshold.

Alternatively, target higher payments for people who would otherwise be wasting their levies.

90

Do you agree that experience rating would not be an appropriate design setting for the employer levy?

I agree, in part because I think experience rating would incentivise negative employer behaviour.

Levies would adjust smoothly over time, with independent fund management

91

Do you agree that an independent fund with a stable levy-setting system should be established to finance the income insurance scheme?

Yes.

92

Do you favour a Pay As You Go or Save As You Go funding approach?

I prefer Pay As You Go with a reserve.

Building in scheme adaptability, while protecting levy sustainability

93

Do you agree that the legislation for the income insurance scheme should provide the flexibility to vary entitlements and eligibility in times of crisis, over and above the proposed income insurance scheme?

Yes, definitely.

94

Does such flexibility create risks that require additional mitigations?

Susceptibility to government of the day deciding not to invoke the flexibility to manage fiscal impact.

Other comments

This is a long overdue addition to the provision of income support and security in New Zealand. There are some design challenges, but I commend the group for their work, and agree that using ACC as the base for designing this is the best option as there is at least some broad public understanding about how ACC works.

I still urge the government to further consider implementing the original Woodhouse intention of ACC being expanded to illness and would add disability to that, but this is a good initial step in that direction.