

Submission from Donald A. Rennie LIB

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There is no mention in the discussion document of the situation of **working superannuitants** who are forced to stop working as a result of events which are beyond their control. Statistics show that about 7.5% of the NZ workforce is aged 65 years or older. Many have to find employment because national superannuation is not sufficient to live on with current inflation, and the cost of renting accommodation if the superannuitant doesn't own a house or mortgage payments if he/she does.

The problems:

A. On reaching the age of qualification for national superannuation (65) many workers continue working in at least five or more different ways:

1. By arrangement with their employer under the current employment contract for as long as they want to work in their current job or
2. By setting up on their own as a "consultant" to their former and/or other employers as an individual or through their own company structure
or
3. By taking up new employment in a different field either as an individual or through their own company structure
or
4. By setting up their own business (e.g. manufacturing) to work either as an individual or through their own company structure
or
5. By undertaking gig type employment with whoever wants their expertise knowledge and experience.

B. Some employers might take the view that if the person is getting superannuation he/she doesn't need to work and can be made redundant or put on lower paid work or the work is casualised.

C. If a working superannuitant is injured, at work, home, sport, recreation or motor-vehicle or otherwise, the ACC will pay weekly compensation (at 80% of pre-injury earnings) and the victim will still get national superannuation but the weekly compensation will only be paid for a maximum of 24 months and will then stop.

It is not clear from the IIS proposals what entitlements these people will have.

A.

Case 1.

Will the worker have entitlement taking into account the total period of work experience with that employer or just the time he/she has been paying the IIS levy through any employer or does the time run from the date of qualification for superannuation?

Case 2.

Setting up as a consultant will involve the costs of providing money for plant equipment and assets to allow the consultancy work to be carried out. It may be necessary to get a Bank loan or a loan from some other source. A bank and probably many other finance companies, would likely require a house as collateral security for the loan. If the "consultancy" doesn't succeed, the borrower's house could be lost. If the consultancy has been successful for a period during which it will have paid both ACC and IIS levies, does the superannuitant and the staff qualify to receive IIS entitlements for six months or an extended term from the date the business ceases?

These same issues will also be relevant in **case 3 and 4** above.

Case 5.

If a self-employed superannuitant sets up business as an independent contractor (e.g. musician) relying on regular employment with one or more aged care provider chains (e.g. Ryman, Bupa or Summerset) which have been hit with covid19 and or Omicron and prohibit the contractor from entering their premises to play their music for fear of infecting their residents. Will the superannuitant be entitled to IIS payments to cover the losses incurred by not being able to work under their contracts?.

There are many other situations where independent contractors are prevented from doing their work due to circumstances beyond their control e.g. shortage of materials available to builders, or skilled surgeons and other medical specialists not being able to practice because hospital beds are not available. Will IIS provide cover for lost earnings – if so for how long?

B.

If an employer of a working superannuitant keeps the worker on doing the same job but reduces wages or salary because the worker begins receiving national superannuation, will IIS make up the wages to the former level?

C.

When weekly compensation stops under ACC law, will IIS pay to cover the amount of ACC weekly payments for six months or an extended period if the superannuitant still cannot work? What if the injured superannuitant can return to work later after 24 weeks expire?

The IIS Scheme Will be Managed by ACC

I would oppose the IIS scheme being managed by ACC. Since 1982 when the AC Commission was abolished and the AC Corporation was set up, the ACC has had no "skin in the game". There is no direct face to face contact between ACC claims handlers or decision makers and the claimant. All direct contact now comes through third parties not ACC staff.

The AC Commission in 1974 established a staff of **rehabilitation officers** who were assigned to claimants who had suffered serious injuries or whose injuries were likely to have long term consequences. The rehab officers liaised directly with the claimant, and his/her family, employer, medical adviser and others to ensure that the claimant received their proper entitlements, treatment, care and appropriate continuing rehabilitation. Rehabilitation officers were done away with around 1994 because the ACC Board thought they could not be controlled by ACC Head Office and their advice to the claimants was thought to be too expensive. The needs of accident victims have since then, given way to the emphasis on cost that has dominated ACC in recent years.

The ACC legislation is not based on the five recommendations of the Woodhouse Royal Commission which emphasise the social nature of the scheme. Instead the ACC operates as any other large insurance company which concentrates its operations on cost containment and what is best for shareholders (government policy). The ACC does not provide rehabilitation to claimants or have any physical contact with them but pays third party providers. The ACC accounts and levy setting method shows that the emphasis is on costs and the OCL (outstanding claims liability) and not on the welfare and needs of injured persons. By operating on purely private commercial insurance principles, in the last 20 years the ACC has been able to amass surplus levies in excess of \$50 billion. If this money is "reserves" in the insurance sense, then it cannot be used to pay current claims unless and until ACC ceases to operate leaving an outstanding liability for ongoing claims.

The AC Commission was responsible to Parliament not to the government-of-the-day. In 1982 the Muldoon government, by abolishing the Commission and establishing the Corporation which is required to follow government policy, has destroyed the independence of the previous Corporation structure. The IIS will have significant problems because of the development of new forms of employment and income types. The ACC has continuing problems working under its current ACC legislation as is evidenced by the fact that it is often in the news for the wrong reasons. It has neither the staff nor the expertise to also manage IIS issues and I don't believe that the social purposes of the IIS scheme can be put into operation by the ACC since it has shown it has little or no appreciation of the social nature of the ACC scheme proposed by the Woodhouse Royal Commission.

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Privacy of
natural persons

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