

# Submission on A New Zealand Income Insurance Scheme

## Your name and organisation

|                              |                            |
|------------------------------|----------------------------|
| Name                         | Eddie Fletcher             |
| Organisation (if applicable) |                            |
| 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

### 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?*

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

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

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

## 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?*

Yes

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

Yes

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

No – An employee could resign for all sorts of reasons, some of which should still allow you to claim insurance. E.g. Constructive Dismissal due to their workplace not accommodating their new disability and effectively forcing them to resign. Or the employee may have decided that due to their new disability the best health option for them is to resign to focus on recovery. Both these examples have affected my wife and her job.

### 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?*

No – An employee who is prevented from working as much as they were due to health problems did not choose to become ill or disabled. They should not be punished by being refused insurance if they decide they can safely perform their job partially. Otherwise, you are creating a choice between working a bit to earn what you still can, or just quitting entirely so you can have insurance.

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 – non standard working situations (gig economy) are becoming more and more prevalent. We should not lock these people out of income insurance just because they work in a non-standard style.

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

#### 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

#### 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

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

I think the risk of abuse is small, it's not like someone will choose to become disabled just so they can game the insurance system. Anyone would prefer keeping their health if given the option.

#### Coverage for self-employed workers

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

If you don't cover people in self-employment, this creates a two-class system where people are punished for being entrepreneurial

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

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

Why would you distinguish between the two? If someone is earning income and they lose the ability to through a new disability or illness, why does it matter their legal employment status being contractor or employee. This should apply to everyone.

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

Anything where a Doctor or Specialist can confirm that it prevents them from working. E.g. A chronic pain condition

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

Through ACC

#### 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?*

No – again it's not like someone chooses to become unwell. They should not be punished just because they didn't meet an arbitrary time requirement. In fact really it shouldn't be an "insurance" scheme in that you pay an explicit "premium" or "contribution" but should apply to EVERYONE regardless. Further thoughts on this at the end.

#### Limits on subsequent claims

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

Maybe limit to one claim per job? If someone has to leave a job due to illness, then gets a new job after a while, but later on their illness gets even worse (cancer, arthritis) which prevents them from working at their new job, they should be able to apply for this payment.

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

No – there should be no limits as long as you meet the criteria each time

26

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

Scrap the idea of “contribution” entirely and make it accessible to all NZ workers.

## 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?*

No – If you are going to exclude them the employees shouldn’t have to pay for the costs. The employers should still contribute as it is their decision to hire cheap labour from overseas. This would be a cost they would have to factor in when deciding to not hire people living in NZ already due to them being lower cost to employ.

## 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?*

Replacement rate should be 100% - No one chooses to become ill and it is unfair to put them in a worse financial position when they should be focussing on recovery.

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 – This seems like a fair amount to cover most incomes in NZ to 100% while not giving too much to people who are in the highest tax brackets and could definitely get by on a \$130K salary.

### 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?*

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

Yes – a partner’s income should not affect the rate payable. Just because you have a partner, this should not mean you are entitled to less income. Just because a household has multiple incomes doesn’t detract that people would have been relying on both streams of income in their day to day budgeting.

### 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 – If someone wants to work for their mental wellbeing for example this should not detract from their payments.

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

No – Insurance should decrease at a slower rate than your earned income. Otherwise people would have no financial reason to work. If it's slower then they can improve their situation by working if they so choose.

### 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?*

### 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 – If someone is in the position where they need to claim this, it should be just the same as if they were continuing to work and receive that income normally. They didn't choose to become ill.

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

### 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?*

**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

**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?*

Yes to the bridging payment

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

I would support a longer length of base insurance entitlement

**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?*

No – If a Doctor or Specialist can corroborate then this should be enough, no one is going to choose to become disabled on purpose to defraud the govt.

## 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 – If a condition stops you working as you were then it should be covered regardless of what “type” of condition it is.

### 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 all work arrangements should be covered

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

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?*

I think it should be reduced to at least 25% reduction in capacity.

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 main the assessor of work capacity?*

Yes – Employers work in their own best interest, not the employee's best interest. As a financially neutral party, Doctors should be working in the employee's best interest.

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

No – If a Doctor says an employee cannot work this should be accepted without input from the employer. Employers have a different view on how much work an employee could be expected to perform given a disability which is likely going to be higher than what their Dr suggests.

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)?*

Provided the employee and the employee's Doctor agree with the employers "changes". Employers may have a different idea about what / how much is required to change.

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

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?*

Requirement. Employers will to the minimum they are legally obligated to.

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?*

No – An employee or their Doctor may decide that their health condition means they should resign. There is a power imbalance between employer and employee, especially when the employee is also dealing with a new health condition which will make it harder for them.

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?*

No – A claimant or their Doctor should be able to decide that the best thing for their health outcome is to rest and not work. They should be able to choose this if they so with without financial repercussions. You don't want someone choosing between their health and their finances!

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?*

The employee should be able to waive obligations provided their Doctor agrees.

63

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

Yes

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?*

No

66

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

No

### 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?*

No – People should be focussing on their health rather than their obligations. Less stress means they will get better faster if this is possible.

68

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

No – If someone is eligible, they should get the payments regardless. There should be other measure in this case like maybe preventing them from applying again for a period of time if they are truly in breach of their obligations, but do not stop the payments they are entitled to.

69

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

Temporary suspension of entitlements should be enough. People should always be given a second chance to improve.

## 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?*

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

### 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?*

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

### Displaced workers: Getting back to good jobs

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

If someone feels they can return to work they will do so. If they do not feel like they can return to work then no one should be pressuring them to do so.

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

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

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

There should be no “return-to-work plan” as it would place undue stress on people trying to recover from a health condition they didn’t ask for.

### 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?*

If someone feels they can return to work they will do so. If they do not feel like they can return to work then no one should be pressuring them to do so.

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

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

There should be no “return-to-work plan” as it would place undue stress on people trying to recover from a health condition they didn’t ask for.

### Dispute resolution

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

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

### 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?*

### 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?*



**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?*

No – It should be available to anyone who has paid general tax on the income being insured.

**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?*

Should be general tax but if it is levy then it should be paid by the employer. Companies can afford increases in their levies more than employees.

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

No – If it is going to be a levy it should be a single amount to encompass both.

**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?*

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

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

**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?*

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

**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

94 *Does such flexibility create risks that require additional mitigations?*

No – People don't get sick/disabled on purpose.

**Other comments ON NEXT PAGE**

## Other comments

I would ask that you consider making this scheme applicable to EVERYONE who has lost their job due to illness or disability, regardless of when this happened. To be clear, I mean that this should apply retrospectively to people who have lost their job due to health conditions even prior to the insurance scheme coming in to affect.

If you only allow people to claim this after they have paid into the scheme, this will create two classes of disabled people. Those who get the payment and those who were unlucky enough to become disabled before the scheme was created. This is part of the reason I think it should come from the general taxation on the income you are claiming for, rather than a specific levy that only starts sometime in the future.

No one chooses to become disabled, and people would prefer to work if they are able. So you shouldn't punish those who's disability arrived at the "wrong" time relative to this scheme being introduced.

To give a bit of context to my submission (the following is confidential and should not be published publicly):

My wife was diagnosed with a rare chronic disease late last year – psoriatic arthritis. It can onset due to stress which there was plenty of at her job. This has prevented her from being able to perform her job as a teacher (as confirmed by her Doctor) which she has done for nearly 10 years now. Given the choice, of course she would prefer to be without illness and working, but her new health condition does not allow it.

Her principal did not see it the same way, and insisted that she keep working at 110% capacity all the time, as she has been able to in the past. There were no concessions around my wife's new decreased ability to work and as such she decided the best thing for her physical and mental health was to resign instead of fighting the principal.

This is why I think it should be solely up to the employee and their Doctor to determine eligibility. The employer will not be cooperative and the relationship between employer and employee may have soured due to the new disability (this happened to my wife and her principal – she is not able to speak to the principal any more without extreme stress and anxiety due to how she was treated by them in respect to her disability).

This is also why I think self-resignation or constructed dismissal of the employee is absolutely a valid case for eligibility. The principal would argue that she chose to leave the job which is not the case. Her Doctor can confirm this and would back her up so it's not as if she just quit because she felt like it.

We are fortunate enough that we can survive on just my income however we are earning 50% less as a household because of it. To receive such a payment as this scheme is proposing would have been a massive load off her mental stress and made the decision to quit her job and focus on health much easier than it was. She could have quit sooner and have had a better health outcome with reduces stress.

If the eligibility is tied up with the employer as well then this would have been another hurdle to overcome in an already very stressful time and likely she would just not apply. So it should be able to come straight from the employee with evidence from their Doctor. The employer shouldn't get to affect health outcomes of their employee.

She was "unlucky" enough to have this illness develop before the insurance income scheme was introduced, and as such will miss out on any of the support that it is intended to give. It's not like you can choose when you become disabled!

