

22 April 2022

Social Unemployment Insurance Tripartite Working Group

Ministry of Business, Innovation and Employment

By email: incomeinsurance@mbie.govt.nz

SUBMISSION ON 'A NEW ZEALAND INCOME INSURANCE SCHEME'

Introduction

1. Freightways Limited (**Freightways**) appreciates the opportunity to make this submission regarding the New Zealand income insurance scheme proposed in the discussion document produced by the Tripartite Unemployment Insurance Working Group dated 2 February 2022 (the **Proposal**). Freightways has material concerns arising from the Proposal which it sets out below.

Background and Key Concerns

2. Freightways is a publicly listed NZX50 company. It operates in the Express Package & Business Mail, Information Management and Waste Renewal industries. Freightways businesses have been in operation in New Zealand for almost sixty years – initially through New Zealand Couriers which is a pioneer of the Express Package industry – and those businesses currently employ or engage approximately 4,000 people (with approximately 1,000 more in Australia).
3. Over the last five decades, instances of Freightways personnel becoming displaced due to the disestablishment of their roles have been extremely rare. In fact, the majority of staff have long tenures within Freightways, often moving between businesses as they progress their careers. In comparison Freightways is aware of many other large New Zealand industries and corporates who almost routinely reduce their workforce through 'cyclical' redundancy processes. As such, Freightways is keen to see any income insurance scheme include appropriate protections and incentives for businesses to avoid cross-subsidisation by businesses such as Freightways of organisations who pursue far more aggressive displacement programmes.
4. Similarly, given the challenging labour market currently faced by New Zealand employers, Freightways wants to ensure that appropriate protections are included to ensure that employees cannot 'game' the scheme thereby causing employers further difficulties in recruiting and/or reducing the proposed benefits of the scheme employers should expect to receive in consideration for the additional costs imposed by it.
5. We further suggest that corporate taxation rates should be reduced given the lower burden on the state in funding welfare payments for workers covered by the scheme.

Freightways' responses to select consultation questions

6. In terms of Freightways' concern regarding the cross-subsidisation of organisations and industries that regularly restructure their workforce resulting in the displacement of personnel, we note the following points by reference to the question numbers from the discussion document:
 45. Employers should pay former workers a bridging payment for an initial period of unemployment to offset the otherwise higher levy that would be payable and otherwise encourage employers to consider redundancy situations more carefully.

47. The income insurance scheme could finance bridging payments in circumstances where the payments are not forthcoming from employers, provided measures are taken to recover payments from those employers (whether via liquidator or otherwise).
90. Experience ratings must be included as a design setting for the employer levy. Freightways disagrees that the bridging payment structure would be a more effective measure than an experience rating and considers that both mechanisms should be included. Freightways considers both are critical to mitigate against the risk of 'gaming' the scheme and to avoid the material cross-subsidisation of 'regular' displacing organisations by other businesses.
7. In terms of Freightways' concern around the potential for personnel to 'game' the scheme, we note the following points again by reference to the question numbers from the discussion document::
23. There should be a minimum contribution period of at least six months over a period of 18 months preceding the claim, however this is low and should be raised if appropriate limits are not placed on claims for displacement situations (rather than health-related claims).
- 24/25. Limits should be placed on the number of claims people can make for displacement situations (rather than health-related claims) to mitigate against the possibility of repeated exploitative claims given the relatively low minimum contribution requirements proposed.
34. Insurance should abate 'dollar for dollar' when earned income and insurance combined reach 100 percent of previous income.
60. Claimants should be obligated to look for work or prepare to return to work while receiving insurance.
- 67/68/69. Financial penalties should apply for people who do not meet their obligations while receiving insurance payments, payments should be fully suspended in cases of serious, intentional non-compliance with obligations and other consequences should be in place for people repeatedly not meeting their obligations, such as permanent suspension of entitlements.

Conclusion

8. As an employer with a proven track record of seeking to look after its personnel, Freightways has real reservations regarding the Proposal. We would be happy to make ourselves available to discuss any of the points raised in this letter or Freightways' views on the Proposal generally as the consultation proceeds.

Yours faithfully

Privacy of natural persons

Mark Troghear
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Freightways Limited