

# SUBMISSION ON

## A New Zealand Income Insurance Scheme Discussion document

26 April 2022

**To:** Ministry of Business, Innovation and Employment

**Name of Submitter:** Horticulture New Zealand

**Supported by:** New Zealand Apples & Pears, New Zealand  
Kiwifruit Growers Incorporated, Summerfruit NZ, Citrus New  
Zealand, TomatoesNZ, New Zealand Asparagus Council,  
Vegetables NZ, Onions New Zealand

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Privacy of natural persons

# OVERVIEW

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## Our submission

Horticulture New Zealand (HortNZ) thanks the Ministry of Business, Innovation and Employment (MBIE) for the opportunity to submit on the New Zealand Income Insurance Scheme Discussion Document and welcomes any opportunity to continue to work with MBIE and to discuss our submission.

HortNZ wishes to be heard in support of our submission and would be prepared to consider presenting our submission in a joint case with others making a similar submission at any hearing.

The details of HortNZ's submission and decisions we are seeking from MBIE are set out later sections of our submission.

# HortNZ's Role

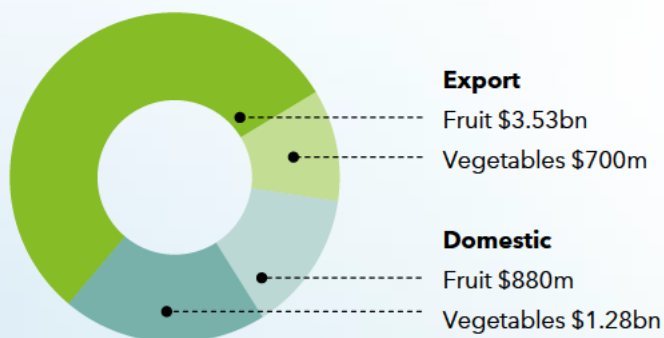
## Background to HortNZ

HortNZ represents the interests of 6000 commercial fruit and vegetable growers in New Zealand, who grow around 100 different crop types and employ over 60,000 workers.

There is approximately 120,000 hectares of horticultural land in New Zealand - approximately 80,000 ha of this is fruit and vegetables. The remaining 40,000 ha is primarily made up of wine grapes and hops, which HortNZ does not represent.

It is not just the economic benefits associated with horticultural production that are important. The rural economy supports rural communities and rural production defines much of the rural landscape. Food production values provide a platform for long term sustainability of communities, through the provision of food security.

HortNZ's purpose is to create an enduring environment where growers prosper. This is done through enabling, promoting and advocating for growers in New Zealand.



**Industry value \$6.39bn**

**Total exports \$4.23bn**

**Total domestic \$2.16bn**

# Executive Summary

## A Sustainable Economy

We are concerned that the proposal undermines the development of a sustainable economy, because it benefits the least productive sectors most, works against natural environmental cycles and provides the least protection to the most vulnerable employees.

- The proposal is not well aligned to the workforce of the primary sector. The primary sector is already the most productive and efficient part of the New Zealand economy. This proposal seeks a cross-subsidy from the primary sector to the service sector.
- Eating more fruit and vegetables has benefits for our physical and mental health. Fruit and vegetables are grown in natural cycles, a sustainable workforce will ebb and flow with nature's seasons. Globally and in New Zealand, food systems are a major contributor to greenhouse gas emissions. We must transition to more sustainable food systems. More sustainable food systems are plant based.
- The horticulture sector offers a range of roles for New Zealand residents and overseas workers with visas. Our sector offers skilled roles and lower skilled roles for people entering the workforce. This proposal is unfair - it will result in the most vulnerable and lowest paid workers cross subsidising higher paid workers in more secure roles.

## Designing a Good Levy

Good practice guidance published by the Auditor-General sets out the following guiding principles for setting levies: equity, efficiency, justifiability, and transparency.<sup>1</sup>

We consider these principles to be a good point of reference for evaluating the proposal and consider that amendments to the proposal required - as outlined in this submission, in order to achieve these principles.

## Summary of Outcomes sought

### Eligibility - Disability and Redundancy.

- If a worker is affected by disability, then there is longer recovery and any reduced capacity (i.e forcing less work hours) is a long run issue, not just 6

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<sup>1</sup> Setting and administering fees and levies for cost recovery: Good practice guide (<https://oag.parliament.nz/2021/fees-and-levies/docs/fees-and-levies.pdf>)



months. Therefore, this scheme fundamentally misses resolving this challenge. Australia's National Disability Insurance Scheme may be a more appropriate alternative.

- Redundancy may be better addressed in employment law more transparently.

#### **Enforcement of eligibility criteria.**

- We are concerned about the scheme being enabled and expected to enforce the requirements to be eligible (e.g. requirements to undertake training and rehabilitation, robust health evidence), on behalf of the scheme funders.
- The government must be held accountable for targets and appropriate rebates/discounts should be provided if these specific targets are not achieved, and enforce the requirements to be eligible, on behalf of the scheme funders.

#### **The proportion of the Levy paid should be relative to the duration of the contract, if the contract is less than 12 months.**

- This is to address the inequality that arises from those on contracts of less than 6 months ever obtaining the full value of the scheme.
- We propose the following formula: 8% (of the levy) per month, so that someone employed for 1 month would pay 8% of the levy, someone for 2 months 16% and so on, until those employed on contracts 12 month or longer pay 100% of the levy.
- This proposal is more equitable and reduces cross-subsidisation from workers on short-term contracts to those on longer term contracts.

#### **The Government should pay the employees and employers contribution for an employee's first role in the workforce for up to 18 months, when the employee is entering the workforce from school or tertiary training, from being on a benefit, a refugee or from prison.**

- This proposal is more equitable and more inclusive. It reduces the risk of those new to workforce cross-subsidising more established members of the workforce.
- It is more inclusive, because it recognises the value of those employers who give untested workers their first chance, and it avoids the situation where workers don't enter the workforce because the difference in income between the benefit and paid work is insufficient.

#### **Rebates should be paid to employers and employees who employ overseas temporary workers in skilled and shortage occupations and through the RSE scheme.**

- This proposal is more productive, sustainable and inclusive, our economy is reliant on trade. The goods we produce are fresh and seasonal, and an efficient workforce is seasonal too.
- This alleviates the inequity for such workers who would contribute the scheme but are ineligible to access it.

**The Scheme should not apply to the self-employed.**

- The self-employed have more flexibility and autonomy than employees. The self-employed could join on a voluntary basis, limited to health claims only. The self-employed should pay both employee and employer contributions. We do not support any compulsory membership for the self-employed.
- Our proposal is more productive, equitable. We consider there would be high risk of self-employed paying in and not being eligible for pay outs, and therefore cross-subsiding employees, which undermines productivity and is inequitable.

**The Government should make contributions to the scheme equal to the savings from other benefits**

- This scheme should produce savings on other benefits covered by general taxation. Such a saving should be reinvested into the scheme and reflected in a commensurate New Zealand Income Insurance Scheme rate reduction.

**Alternatively, amend the scope to only apply to permanent employees and those with contracts longer than 2 years.**

We have proposed a number of detailed changes that would still charge employees and employers that would never benefit from the scheme. A simpler alternative that we also would support is for only permanent employees and those with contracts longer than 2 years, being captured by the scheme. We consider this criteria fairer than proposed, as these are the people that would benefit from the scheme.

# Submission

## 1. A Sustainable Economy

We are concerned that the proposal undermines the development of a sustainable economy. The proposal benefits the least productive sectors most, works against natural environmental cycles and provides the least protection to the most vulnerable employees.

The horticulture industry plays a key role in supporting the New Zealand's economy through exports, providing New Zealanders with jobs and providing healthy fruit and vegetables.

### 1.1. Productive Economy

The primary sector is already the most productive and efficient part of the New Zealand economy, yet the proposal is not well aligned to the workforce of the primary sector. This proposal seeks a cross-subsidy from the primary sector to the service sector.

As reported by NZIER<sup>2</sup>, trade drives productivity and creates job opportunities. As summarised below (Figure 1) countries trade goods and services that they are efficient in producing, this in turn lifts the economy's overall productivity leading to higher living standards, therefore productivity provides an indication of the positive contribution of trade to wellbeing.

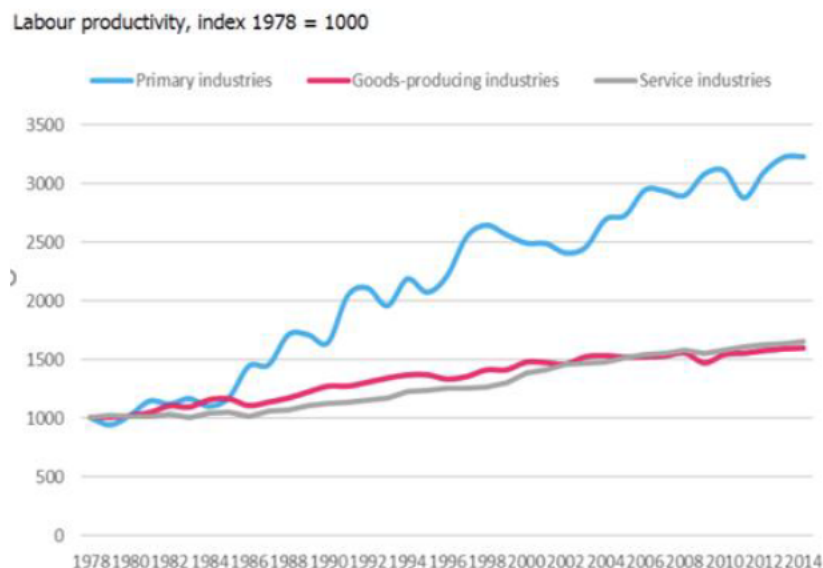


Figure 1: Labour productivity by broad sector (Source: NZIER Report for Export New Zealand – The Benefits of Trade)

<sup>2</sup> NZIER Report for Export New Zealand – The Benefits of Trade

We are concerned that at a time of rising costs for horticultural producers (e.g. energy, fuel, inputs, labour) and with a well published worker shortage - the primary sector will be paying into the scheme (further increasing costs) while receiving little benefit.

## 1.2. Sustainable Economy

Fruit and vegetables are grown in natural cycles, a sustainable workforce will ebb and flow with nature's seasons. It is important that this is recognised, and that the sector is not disadvantaged as a result.

### Seasonal Work

Seasonal peaks and troughs of labour demand in the New Zealand horticulture industry are driven by climate. Tasks that have not yet been automated for example cherry, apple, and kiwifruit harvests and grape-vine pruning are geographically dispersed. Figure 2 below shows the change in demand with the seasons.<sup>3</sup>

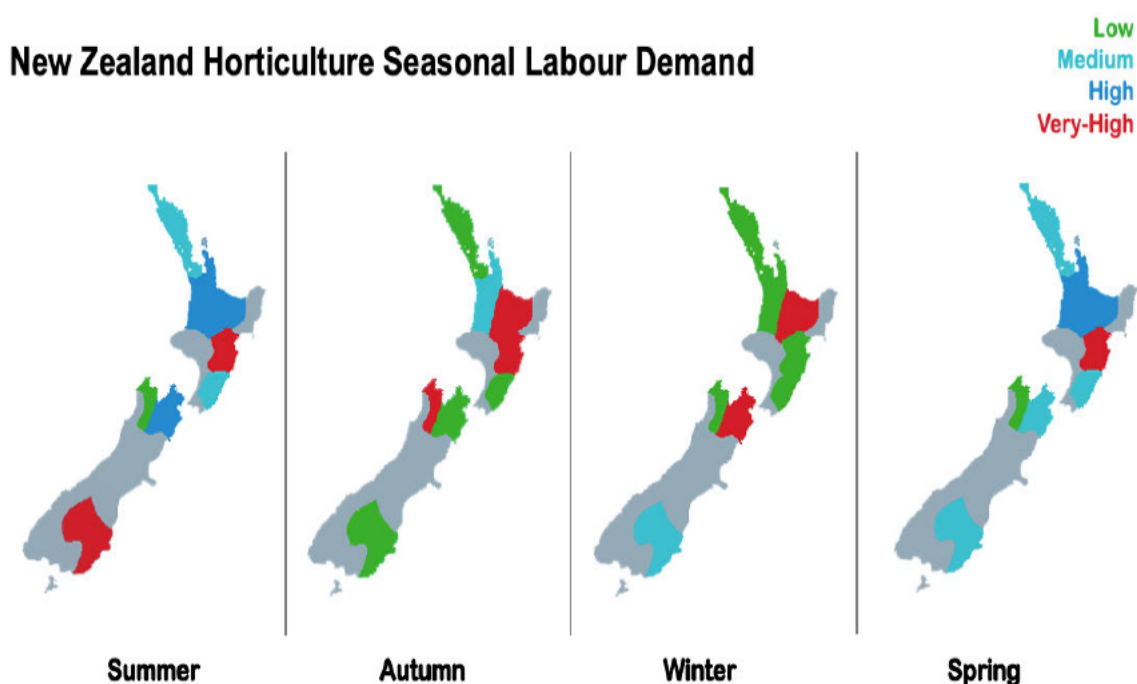


Figure 2: Seasonal workforce demand for the horticultural sector.

As well as the harvesting of fruit there are many supplier companies that are seasonal to meet the changing demand. For example pallet bin manufacturers and fruit label and packaging suppliers. While many of these companies operate year-around, they stand-up seasonal sites, with employees on short-term contracts to meet peaks in supply.

<sup>3</sup> <https://www.picknz.co.nz/>



## **Low emissions economy (and plant-based diets)**

Globally and in New Zealand, food systems are a major contributor to greenhouse gas emissions. We must transition to more sustainable food systems.

More sustainable food systems are plant based. Eating more fruit and vegetables has benefits for our physical and mental health.

Research has illustrated the connection between eating patterns, climate change and health outcomes finding that eating more plant-based foods and minimising food waste were one of the most important ways individuals could reduce their personal climate footprint, while also having health gains and health system savings.<sup>4</sup>

Whole, or less processed foods are the healthier option<sup>5</sup>. These foods are perishable, and need to be harvested and consumed in season.

## **Domestic food supply and food security**

Diversification to horticulture presents an opportunity to reduce emissions while increasing food production. In New Zealand there is 1,000,000 ha of land that could potentially be converted to horticulture. If this land was converted to horticulture it would be as effective at reducing New Zealand's agricultural emissions as a methane vaccine.<sup>6</sup>

Growing fruit and vegetables in New Zealand is important for our domestic food supply. While fruit makes a significant contribution to New Zealand's export earnings, some fruit crops are predominately grown for the domestic market. The majority (80%) of fresh vegetables are grown for the domestic market.

HortNZ seeks that policy making is cognisant of food security; there are societal and health costs to increases to the prices of vegetables in New Zealand and a decline in availability.

## **1.3. Inclusive Economy**

The discussion document frames the discussion around "decent jobs" and inclusiveness, and yet the proposal sets up a system where some of the most vulnerable workers would pay a levy into a system that they cannot benefit from.

The proposal does not recognise that workers learn on the job to improve skills to become more attractive to a range employers.

Businesses that play an important role in our economy, in employing people in their first jobs, or when they are re-entering the workforce will not benefit from the

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<sup>4</sup> Drew, J et al. (2020) 'Healthy and Climate-Friendly Eating Patterns in the New Zealand Context'. Environmental Health Perspectives <https://ehp.niehs.nih.gov/doi/full/10.1289/EHP5996>

<sup>5</sup> <https://www.health.govt.nz/your-health/healthy-living/food-activity-and-sleep/healthy-eating/making-healthier-food-choices>

<sup>6</sup> BERG. (2018). The report of the biological emissions reference group. <https://www.mpi.govt.nz/dmsdocument/32125/direct>

scheme and will be cross-subsiding other businesses who do not offer employment to lower skilled workers, or those entering the workforce.

In this section we provide examples of people employed in the horticulture sector, who are starting out in the workforce or re-entering the workforce. Examples include school leavers, refugees, people leaving prison, solo parents and someone who came off job-seekers support.

For the 18 months of these workers employment, they will be paying into the system and they will not be able to claim anything if they are made redundant or become unwell.

### **EXAMPLE: A fresh start for a Refugee**

Based near Nelson, JS Ewers is one of the leading suppliers of fresh produce in New Zealand. Naw Ellis has worked for the company since October 2017 and is one of JS Ewers' 150 permanent employees.

She came to New Zealand as a refugee with her husband and four children in 2016, and since then she has been focused one thing, finding work.

"I wanted to work in New Zealand so I could get a feel for the work here," she says.

"Being on a benefit is not particularly good for my family situation so I wanted to work to get more income and experience."



This changed for Naw Ellis and her family when they were accepted for resettlement by New Zealand in 2016. She approached Red Cross about finding work after hearing about the Pathways to Employment programme. The team helped her find some volunteer work in the horticultural industry and then to meet the team at JS Ewers. She was quickly offered a role with the company.

"She was doing a good job and always willing to help people," says Geoff Lamont, a grower manager at JS Ewers. "If she could see you struggling she'd always jump in to help you, which was great."

The company often takes on staff through Pathways to Employment during the summer months when business ramps up. Many of them, like Naw Ellis, are also kept on in permanent roles afterwards.

Naw Ellis is also continuing her English classes. During her first six months, the company supported her to attend English lessons during work time that incorporated workplace vocabulary.

Source: <https://www.redcross.org.nz/stories/new-zealand/greener-future/>

**EXAMPLE: Growing Futures for people leaving corrections**

This program is for 30 participants who have a current or past relationship with the Department of Corrections. The program is designed to provide participants with pre-employment training, pastoral care as well as on job work experience in the horticulture industry. The objective of the project is to support the participants into long term sustainable employment.

Te Growing Futures project commenced in March 2021. The number of participants that were referred to the program by the end of August 2021 is 34. The program is a 12-month revolving program that allows trainees to transition into full time work at any point during the 12-month period allowing the training provider to continue to work with Corrections for ongoing referrals when trainees leave the program.

The program is beginning to achieve great outcomes including 5 participants exceeding the 91-day in employment threshold and are aiming for the next milestone point of 182 days in employment. 5 others are participating on an EIT Horticulture supervisory course. 6 are scheduled to attend a further upskilling course at EIT in September 2021 whilst 2 have resigned and have found alternative employment and 2 resigned for medical reasons. The 14 others are working hours to suit and receiving intense pastoral support as they work through their social barriers that are preventing them from working full time.

**EXAMPLE: Young Māori sole parents into flexible seasonal work**

The He Huarahi Hou Project is designed to assist and transition young Māori sole parents into flexible seasonal work hours that suit their availability needs.

That includes:

- Providing transport to and from work for each participant
- Working alongside the participants to address their broader whanau social responsibilities and barriers when they occur.
- Developing a workplan that suit their individual availability needs. That includes working on solutions that address their tamariki care needs while they are at work.

Providing pre-employment training that includes:

- First aid
- Health and Safety
- Planning and budgeting

The pastoral Care support provider for this project is the Flaxmere Maori Wardens Trust. The Ministry of Maori Development (Te Puni Kokiri) has provided funding for Maori Wardens to deliver the pastoral care for the Sole Parents.



### EXAMPLE: Tractor Driver and Apprentice



"I backed myself and went for it"

Lance Williams  
Horticulture Apprentice

A year ago Lance Williams was unemployed, but after securing orchard work, everything changed.

Since starting out as a tractor driver he is now employed full-time and completing a cadetship.

All it took was the will to take responsibility for his future.

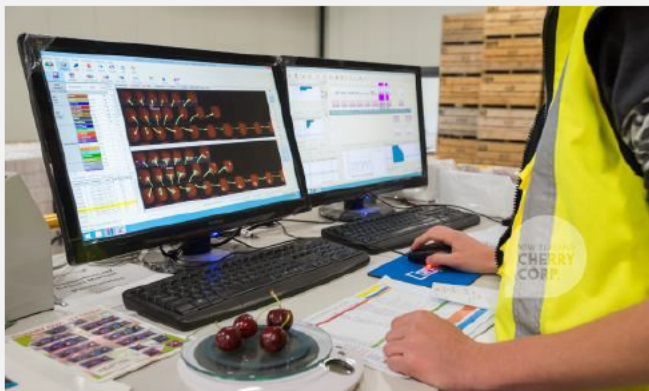
"I realised things weren't really going my way, so I ended up biting the bullet, said 'I can do this', backed myself and went for it," he said.

Now his aspirations and dreams are becoming a reality.

"Physically and emotionally I feel better about myself - go do things off your bucket list. If you go hard, you can go far" so give orcharding a go - it's life changing".

Source: <https://www.picknz.co.nz/work-opportunities/worker-stories/>

### EXAMPLE - Skilled Overseas Workers, Cherry Grader



Cherry Grading is highly skilled work, that requires skilled operators of specialist machinery and software. The Cherry Industry is an important export sector and expanding, but the cherry harvest season is short, and skilled cherry graders are only required to work for a 2 or so of month of the year in New Zealand.

New Zealand orchards rely on skilled workers who harvest and in NZ, and go on to work in other countries who also value their specialist skill set.

The costs of a business of not being able to attract these skilled overseas workers are high. For context, each machine processes 35,000 kg of cherries daily with a



conservative value in excess of \$500,000. Without an operator, the orchardists have to leave fruit unpicked and run the packhouse at half speed, with dire financial consequences.

The discussion document frames all overseas workers as cheap labour that could be replaced by NZ workers. This is simply not true, and to penalise businesses that rely on specialists workers, reducing productivity not increase it.

## 2. Designing a good levy

Good practice guidance published by the Auditor-General sets out the following guiding principles for setting levies: equity, efficiency, justifiability, and transparency, summarised below:<sup>7</sup>

- Equity - levies that are fair (i.e one group is not paying for the benefit of a previous or future group)
- Efficiency - value for money, and not incurring unnecessary costs.
- Justifiability - the cost reasonably relates to the good/service that is being charged for (where possible eliminating cross-subsidisation).
- Transparency - the process is transparent and there is enough information to understand and assess the method, costs and use of revenue generated.

We consider these principles to be a good point of reference for evaluating the proposal and consider that amendments to the proposal required - as outlined in this submission, in order to achieve these principles.

## 3. The horticulture workforce

The following are some key findings about the horticulture industry workforce from work done by the Ministry for Primary Industries:<sup>8</sup>

- Between 2012 and 2016 there was a 5.4 percent increase in worker counts.
- There were 16,200 new entrants to the horticulture industry in 2013. The largest source of new entrants was "other" sources which includes migrants and those that have taken time out of the workforce.
- A large proportion (28%) of new entrants to the horticulture industry were temporary migrants.
- Horticulture has the largest proportion of workers identifying as Pacific relative to other primary industries.
- Self-employment in horticulture was reported as 10.4%.

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<sup>7</sup> Setting and administering fees and levies for cost recovery: Good practice guide (<https://oag.parliament.nz/2021/fees-and-levies/docs/fees-and-levies.pdf>)

<sup>8</sup> <https://www.mpi.govt.nz/dmsdocument/29273-primary-industries-subsector-workforce-infographics> (published March 2019)

The 2020 Recognised Seasonal Worker survey described that while the majority of employees in horticulture are New Zealanders, the Recognised Seasonal Employer (RSE) scheme workers make up approximately a third of the seasonal workforce, work visa holders also make a contribution (refer to Figure 3 below).<sup>9</sup>

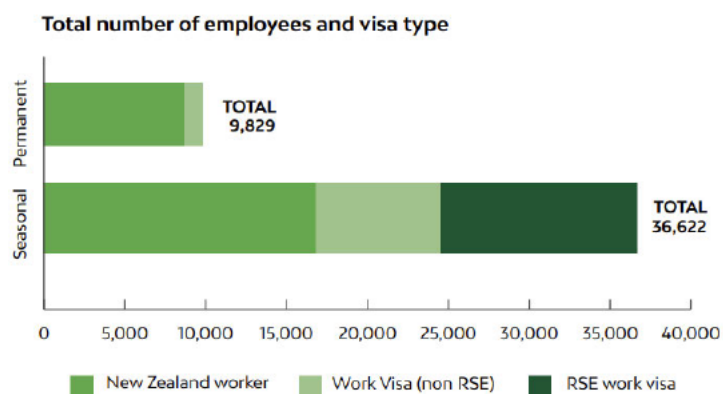


Figure 3: Breakdown of employees in the horticulture industry (Source: Recognised Seasonal Worker Survey 2020)

The same report also outlines that for the 2019 season, the majority (57%) were on an hourly rate, however in harvesting a piece rate was more common.

The MPI Food and Fibre workforce snap-shot provides statistics on the horticultural workforce.<sup>10</sup> Figure 4 shows that over 50% of the new entrants to the horticultural sector would not benefit from the scheme because they would be in the first 18 month of work, either because they are coming from overseas, from education or were beneficiaries.

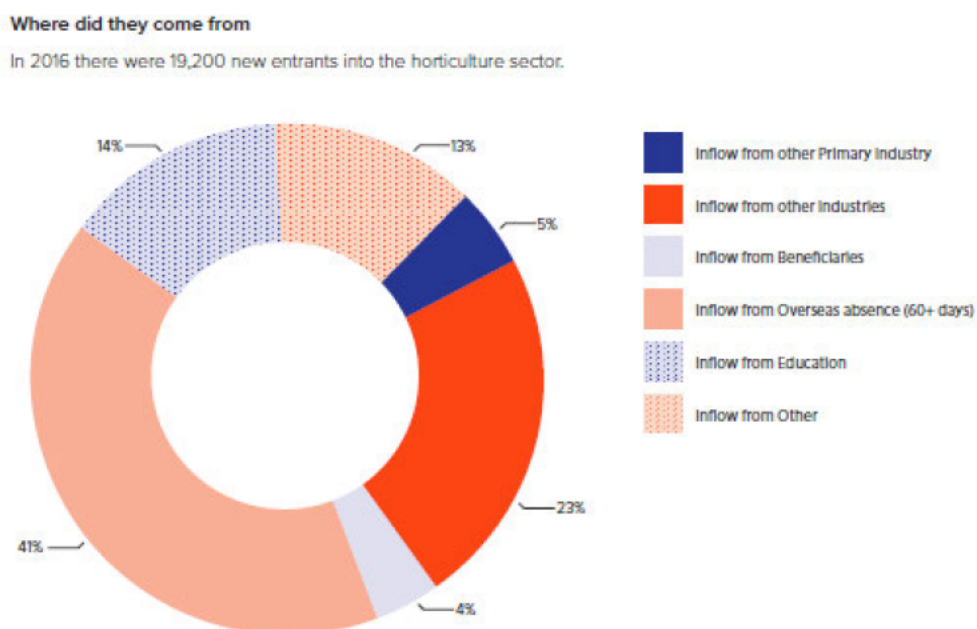


Figure 4: Breakdown of where new entrants to the horticultural workforce came from

<sup>9</sup> Recognised Seasonal Worker Survey 2020 (<https://www.nzkgi.org.nz/wp-content/uploads/2020/07/RSE-Doc-June-2020-WEB-FINAL.pdf>)

<sup>10</sup> Food and Fibre Workforce Snapshot 2021

Figure 5 shows that only 21% of new entrants are still working in the sector, after 3 years only 18%. This highlights the important role the horticulture sector plays in providing early career roles for people, who frequently go on to productive roles elsewhere in the economy. However, this also means that many employers and employees in the horticultural sector will no benefit from the scheme.

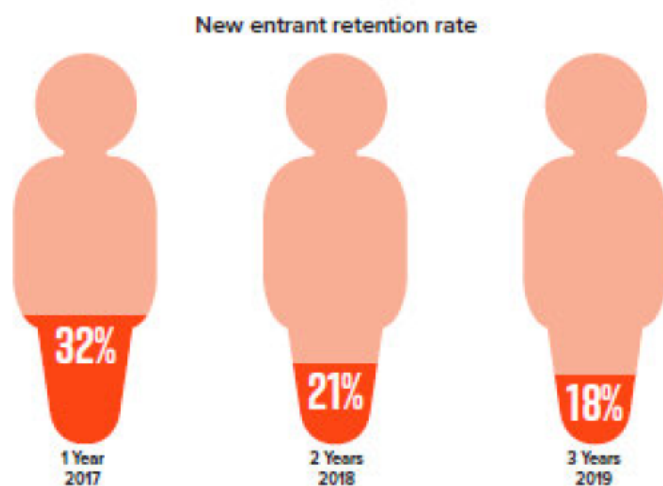


Figure 5: Breakdown of where new entrant retention rate in the horticultural workforce

Figure 6 shows that 73% of people aged 15-29 employed in the sector have education profile of level 1 - 3. This highlights the important role the horticultural sector play in providing employment opportunities to people with level 1 - 3 education.

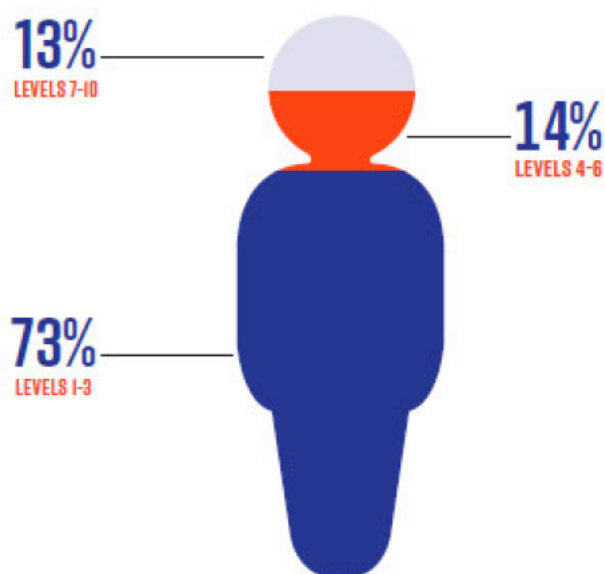


Figure 6: Breakdown of education profile for workers 15-29 years

### 3.1. Short-term contracts

Due to the seasonal nature of many horticultural job opportunities, short-term contracts are likely to be more prevalent than in other sectors.

We consider it most efficient to avoid unnecessary costs to the employer (and employees) as a result of the proposed scheme.

#### **PROPOSED SOLUTION:**

**The proportion of the Levy paid should be relative to the duration of the contract, if the contract is less than 12 months.**

This is to address the inequality that arises from those on contracts of less than 6 months ever obtaining the full value of the scheme.

We propose the following formula: 8% (of the levy) per month, so that someone employed for 1 month would pay 8% of the levy, someone for 2 months 16% and so on, until those employed on contracts 12 months or longer pay 100% of the levy.

This proposal is more equitable and reduces cross-subsidisation from workers on short-term contracts to those on longer term contracts.

### 3.2. Overseas workers

As noted above, overseas workers play an important role in meeting the seasonal workforce needs of the horticulture sector. We do not consider it equitable for the employers (or employees) to have to pay into the scheme, while being unable to receive any benefit.

We do not accept the proposition in the discussion paper that if overseas workers were not liable to pay that it would encourage the use of overseas workers instead of New Zealand residents. We do not agree with this. Overseas workers are used in the horticultural sector to meet seasonal demands that cannot be met locally and because of skill shortages. As outlined in section 1.3, the horticultural sector works closely with the Ministry of Social Development (MSD), to employ New Zealanders and the RSE programme includes policies to achieve positive outcomes for New Zealand and the countries that participate.

There needs to be clear provision added to enable levies to be waived or refunded where appropriate.

#### **PROPOSED SOLUTION:**

**Rebates should be paid to employers and employees who employ overseas temporary workers in skilled and shortage occupations and through the RSE scheme.**

This proposal is more productive, sustainable and inclusive, our economy is reliant on trade. The goods we produce are fresh and seasonal, and an efficient workforce is seasonal too.



### 3.3. Entering and re-entering the workforce

In the first 18 months of their working careers, these people are likely to be paid at the lower end of the spectrum, and be employed on shorter term contracts.

Hourly rates within the horticulture sector have been increasing. The discussion document anticipates over time that employers would look to recoup their contribution through slowed wage increases. This is likely to occur and will impact those entering and re-entering the workforce the most.

For the lowest paid workers, the New Zealand Income Insurance Scheme represents a staggering 19% increase in tax paid (2.77% on top of 14.46%). We appreciate this full rate is shared 50/50 but ultimately it will have to be recovered from future remuneration reviews/increases.

For those on the minimum wage it will make paid work less attractive and make it more difficult to provide pathways for people off benefits and into the work force.

The horticulture is an industry that offers a high proportion of roles that are suited for those that are starting their careers. These people often move out of these roles, into more skilled roles within the sector or often outside of the sector. This is natural progression, and one that should be recognised and valued.

The horticulture sector works closely with work and income to provide opportunities, for example the Mana in Mahi programme provides the opportunity for people to train and work at the same time, and provides support to employees and employers to be successful.

For the employers that routinely employ people who starting their careers or re-entering the workforce, they would be paying into the system, but the likelihood is that their businesses would not benefit for the scheme. The nature of the roles are such that their staff move on and take on other roles in the economy, having developed key skills in the horticulture sector.

In our view this element of the proposal must be addressed because it is inequitable. It relies on the most vulnerable members of our workforce cross subsidising less vulnerable members, and is perverse because it disincentivises employers from taking a chance on people who are starting out or looking for a second chance.

#### **PROPOSED SOLUTION:**

**The Government should pay the employees and employers contribution for an employee's first role in the workforce for up to 18 months, when the employee is entering the workforce from school or tertiary training, from being on a benefit, or from prison.**

This proposal is more equitable and more inclusive. It reduces the risk of those new to workforce cross-subsidising more established members of the workforce. It is more inclusive, because it recognises the value of those employers who give untested workers their first chance, and it avoids the situation where workers don't enter the workforce because the difference in income between the benefit and paid work is insufficient.

### **3.4. Self-employed**

The self-employed is a diverse group. In our view the risk of capturing some self-employed people is that while the system will no doubt be effective at collecting money from these workers, we are very doubtful they will be able to prove their eligibility for claims. This is inequitable because it would result in self-employed people cross subsidising employees.

#### **PROPOSED SOLUTION:**

**The Scheme should not apply to the self-employed.**

The self-employed have more flexibility and autonomy than employees. The self-employed could join on a voluntary basis, limited to health claims only. The self-employed should pay both employee and employer contributions. We do not support any compulsory membership for the self-employed.

Our proposal is more productive, equitable. We consider there would be high risk of self-employed paying in and not being eligible for pay outs, and therefore cross-subsidising employees, which undermines productivity and is inequitable.

### **3.5. Summary**

We are concerned that the scheme is unfair. It will take money from many employees and businesses in the horticultural sector, and many of these people and businesses will never benefit from the scheme.

We have proposed a number of changes that could be made to address this equity issue. A simpler alternative that we would also support is for only permanent employees and those with contracts longer than 2 years, being captured by the scheme. We consider this criteria fairer than proposed, as these are the people that would benefit from the scheme.