

Submission re NZ Income Insurance Proposal

Via: incomeinsurance@mbie.govt.nz

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Tēnā koutou,

Thank you for the opportunity to offer feedback on the NZ Income Insurance (NZII) scheme proposal. This is a brief, headline-only submission and I welcome dialogue, exploration and/or requests for expansion on detail and research about any of the following points.

I acknowledge NZII would likely bring about net benefits for some people and communities. Overall, however, I am **opposed** to the scheme as it risks exacerbating inequality, isolation and (other) effects of colonisation:

- (i) NZII as a tool of ongoing colonisation: The Government has not upheld Tiriti o Waitangi during the design process of the scheme. Iwi and hapū have not co-designed aims, principles and characteristics of the scheme in equal partnership with the Crown.
- (ii) Scheme aims: The Government is excluding multiple vulnerable populations from the scheme's (higher-than-welfare) financial support, including (1) people whose permanent or chronic (6-months+) disabilities and/or health conditions mean paid employment is impossible or inappropriate, and (2) sole-parent families for whom paid employment is impossible or inappropriate. The Government is de-prioritising equity, solidarity and social cohesion by introducing this scheme, which risks entrenching deep poverty, stigma and marginalisation for those excluded.¹
- (iii) Scheme funding: The regressive nature of the compulsory levies will jeopardise the financial wellbeing of whānau and families in financially precarious paid-work situations.

Instead, the Government should:

- (i) Ensure any new unemployment or welfare initiative – especially if it is a major initiative, both in terms of resources and change in principles, as NZII is – is developed as a Māori-Crown partnership under te Tiriti o Waitangi, in order to uphold te Tiriti and lead to tino rangatiratanga and better collective outcomes for Māori.
- (ii) Propose to its Tiriti partners that an employer-funded 4-week “bridging payment” of 100% wages (not 80% as proposed by NZII) be introduced.
- (iii) Propose to its Tiriti partners that all whānau and families receive liveable, adequate incomes, based on need, rather than being based on prior income or nominal contributions to a fund. This includes moving towards individualisation of benefit entitlements, so that a partner's income would not be taken into account in entitlement assessment, unless that income was above median.

¹ See “Impact of the Covid-19 Income Relief Payment” Humpage, L. and Moore, C. (2021). [Income in the wake of Covid-19: interviews](#). The University of Auckland, Child Poverty Action Group, Auckland Action Against Poverty and First Union. Pp30-32.

From a progressive social perspective, there are a number of risks inherent in any social insurance scheme. NZII does not adequately mitigate those risks, nor capitalise on the associated benefits. For example:

Risk/Issue	Examples of potential mitigations, preventions or benefits	NZII inclusion to date
Electorate deprioritises welfare as 'not for me, only for others'; welfare erodes as levies leave electorate with less appetite for additional revenue gathering	Risk mitigation: Make welfare adequate and fit-for-purpose prior to or at the same time as NZII, including moving to individual benefit entitlements	No
Principle of support changes from 'support based on need' to 'support based on prior income/ nominal financial fund contribution' creating groups perceived as 'deserving' and 'undeserving' of support	Prevention: Instead of NZII, make welfare adequate as above, and enhance secondary supports for those who have high costs	No
Only those who have been in paid work are eligible for NZII benefits	Benefit: include Paid Parental Leave in NZII (it is standard practice to include PPL in social insurance schemes internationally) ² in order to increase the adequacy of the weekly rate, and to ring-fence adequate provisions for non-birthing parents (usually fathers), so as to foster a culture of parent-child bonding and co-parent bonding, and support maternal mental health.	No
	Or, Prevention, as above: Instead of NZII, make welfare adequate, and enhance secondary supports for those who have high costs	No
It will be impossible to include all those in paid work (contractors, pieceworkers etc) in a way that seems just to all	As above: Prevention: Instead of NZII, make welfare adequate as above, and enhance secondary supports for those who have high costs	No
As a ring-fenced fund, NZII could be privatised	Benefit: Potential for one or more Māori-controlled funds	No
	Or, Prevention: Don't ringfence NZII, instead pay for it out of an (increased) general tax pool	No
Income levies likely to be unaffordable for low-income households and to lower Kiwisaver contributions	Risk Mitigation: Remove levies on all incomes up to a median. Keep employer levies. If the cost of the scheme needs reducing, reduce the maximum number of weeks for displacement	No

² Morrissey, S. (2018). Paid parental leave for 26 weeks: great--but what about the rate at which we pay?. *Policy Quarterly*, 14(4). <https://ojs.victoria.ac.nz/pq/article/view/5152>

	payouts (keep health & disability-related payouts at the proposed number of weeks)	
Income levies make income revenue gathering more regressive	Prevention: Use a progressive, high income tax – or better, a wealth or real estate tax/levy instead. Keep employer levies – and make the rate higher on higher paid positions.	No
ACC inclusion and provision is discriminatory, eg for Māori, Pacific and women.	As above. Prevention: Instead of NZII, make welfare adequate as above, and enhance secondary supports for those who have high costs	No
	Or, Mitigation: Have multiple administrators/providers, including Māori providers (eg for Māori-controlled funds)	No
Families with children are deprioritised (parents in paid work have to pay the same levies as non-parents, for fewer new potential benefits, compared to welfare entitlements; families receiving NZII lose the In-Work Tax Credit	As above. Prevention: Instead of NZII, make welfare adequate as above, and enhance secondary supports for those who have high costs	No
	Mitigation: Increase child-related tax credits to cover the cost of levies	No
	Allow families receiving NZII to continue to receive IWTC (otherwise, this loss is one of the more self-contradictory elements of the scheme – if a higher weekly income assists with connection to the job market, as the scheme presupposes, why is a key piece of family assistance removed at time of job loss?)	No
	Benefit as above: include Paid Parental Leave in NZII	No
Those working multiple part-time jobs may not be able to live on 80% of overall income	Mitigation: NZII entitlements should be 80% of income lost, not 80% of overall income.	No

In conclusion, the scheme, as currently proposed, seems hasty and a step into the unknown, with potentially counter-productive effects – such as severing solidarity between those for whom paid work is appropriate and those for whom it is not; and increasing inequality, marginalisation and isolation. If it is not decided to scrap NZII completely, it needs to be re-designed in partnership with Māori. NZII needs to be given the caution, care, time, research and wider public discussion – including public discussion informed by pro-active government release of modelling of the effects on different groups – that its size and complexity deserves, with a key aim to preserve the trust of the public in government decision-making processes.

Ngā mihi nui,

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Privacy of natural persons

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