

Submission on A New Zealand Income Insurance Scheme

Your name and organisation

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Other comments

My apologies for not using your template; I reviewed it, but unfortunately I found it unfit for purpose. The questions it asks are focused on the minutiae of implementing the scheme, but completely miss the big picture, which is that the scheme itself is fundamentally flawed.

Aotearoa needs a comprehensive approach to income support, not a fragmented one.

I note that many of the questions in the submission template focus on attempting to navigate the mess of interactions with pre-existing systems like ACC, superannuation, veteran's pay, paid parental leave, welfare, etc. This is a perfect demonstration of why the NZIIS is exactly the wrong approach. We already have several systems for income support, all of which have gaps. We should focus on fixing and unifying the existing systems, not adding yet another fragmentary scheme. The NZIIS would create further bureaucratic complexity and add yet another tier to the system so that certain people receive preferential treatment while others slip through the cracks.

Instead, what we need is a comprehensive safety net for *all* people and whānau so that they can get through hard times, regardless of the specifics of their hardship. Let's do the mahi necessary to ensure these systems work for all, not just workers facing unemployment – or any other single cohort – while others are left to suffer in poverty.

Welfare reform must come first.

Welfare changes have been slow and piecemeal. Many families who rely on benefits or Working for Families are living in poverty, harming their wellbeing and that of their children. Tāmariki Māori, Pasifika, and disabled children in particular are living in deeper poverty and hardship. Our focus should be in doing the urgent work required to ensure that Work and Income and ACC support the most vulnerable in our communities.

Introducing the NZIIS runs counter to all of this; it explicitly demarcates these most vulnerable members of our society as less deserving of support than workers who lose their jobs, while simultaneously diverting government time and resources that could and should be invested in fixing our existing supports systems into developing yet another baroque and flawed scheme.

Support must be equitable for all health conditions, regardless of cause or date of onset.

NZIIS will offer income insurance to those who experience disability or health conditions while employed where they are 50% incapacitated from work for more than 4 weeks.

In comparison, ACC offers cover for life and complete rehabilitation services for those with covered conditions and disability.

Meanwhile, those with disabilities or illnesses that aren't covered by ACC and who aren't able to work are left to languish in an inadequate welfare system that traps them in permanent poverty and doesn't even let them date for fear of having their benefit cut. I have friends in this situation. Although they are unable to be in paid work due to their health, they find numerous other ways to contribute to society. They were the people who gave me the most practical support when I experienced a period of serious illness. I literally might not be alive today without them, and they have enriched my life and the lives of many in my community with their creativity, their kindness, and their devoted – albeit unpaid – labour. They are every bit as deserving of income support as a worker who has lost a job.

This tiered system is deeply inequitable and morally repugnant. All people with work-impairing health conditions or disabilities deserve income support and a decent standard of living.

Instead of having a patchwork of coverage and different schemes for different conditions, ACC should simply be extended to cover all work-impairing health conditions and disabilities, irrespective of the cause. This should include cover for people who are currently out of work because of a health condition or disability, to avoid entrenching inequitable support.

If you insist on persisting with NZIIS, make it as equitable and inclusive as possible.

I hope that my comments above have demonstrated the compelling case for abandoning the NZIIS in favour of fixing and unifying existing income support systems so that they support *all* people experiencing financial hardship and not just those who happen to have recently lost paid employment.

Nonetheless, I'm aware that you will most likely persist with the NZIIS no matter what I say. In this case, I urge you to design the NZIIS to be as equitable and inclusive as possible, with particular consideration of Māori, Pasifika peoples, women, migrants, and low-income whānau. Below are some suggestions that could make the scheme fairer.

1. Value and support care work.

As my personal story above demonstrates, unpaid care work is crucial to the wellbeing of whānau and communities. It is essential that any reforms of the welfare system provide better recognition of care work. As currently designed, NZIIS will only be available for those who are in paid employment. It won't fully take into account all types of unpaid care work - which is disproportionately done by women, especially wāhine Māori and Pacific women.

This is yet another example of how the NZIIS is flawed and how it would be better to instead focus on fixing the existing welfare system. However, if you insist on persisting with NZIIS, the scheme should include:

- A 'workplace re-entry' eligibility criteria for those who are full-time caregivers but separate from their partners.
- The extension of NZIIS cover for those who have to care for a sick dependent, i.e. extending the scheme beyond covering personal disability or illness, but to also cover people who leave work to care for dependent whānau.
- The expansion of eligibility for Paid Parental Leave to align with NZIIS and the duration of payments to 13 months. We should ensure equitable support for people who experience job displacement close to having a baby.

2. Reduce the burden for those on the lowest incomes.

The current proposal for funding the NZIIS is deeply regressive. A flat levy of 1.39% each on both employers and employees will hurt those on the lowest incomes the most, as it

effectively raises the minimum income tax rate. With inflation at its highest in over 30 years, those on the lowest incomes are not in a position to afford this additional expense. This is exactly why we have different income tax rates: to acknowledge that those with the least cannot afford to pay as much tax as those with the most. This same acknowledgement should apply to the NZIIS.

To make matters worse, the lowest paid workers are also those who would get the least from NZIIS. This is wrong and backwards. Those who have the least to begin with should receive more support, not less – which again points to welfare reform as a far better approach than the NZIIS.

However, if the NZIIS is to proceed, I urge you to implement the following:

- Introduce a sliding scale of payments, so that those on low incomes receive 100% of previous income back under NZIIS, rather than 80%.
- Introduce a levy-free threshold. For example, those earning below the full-time minimum wage do not have to pay levies but still get NZIIS.
- Pay for this by providing that the levy is taxed on *all* earned income above the threshold, not capped at \$130,911, for a progressive scheme that helps those most in need. It is completely immoral to let the richest people dodge paying their full levy while hitting those who can least afford it the hardest.
- Reduce the maximum payments under the scheme for high income earners. Paying up to \$130,911 in income insurance is obscenely high in a society where those on the benefit struggle to afford food.

3. Reinvest in the welfare system.

It is critical that with the rollout of NZIIS we do not lose sight of the urgent need to reform the welfare system. This is particularly important for those who are unable to work in paid employment. Any savings in the welfare system from the introduction of NZIIS should stay in the welfare system and be used to help pull families out of poverty.

4. Allow temporary visa holders to opt in or out.

As proposed, only New Zealand citizens and residents will be eligible for NZIIS. Migrants are still expected to pay into the scheme through a levy but they will not get any benefits from NZIIS. This is unjust. I urge you to allow these workers to opt into the scheme or opt out of paying levies.

5. No sanctions or obligations.

The NZIIS currently proposes work obligations and sanctions which mirror those used by MSD. Work preparedness, case management, and connection to labour markets will be helpful to many and should be available, but people should not be obligated to perform this out of fear of sanctions. The experience within the welfare system demonstrates that sanctions harm tāmariki, are costly to administer, and corrode trust.

6. Honour Te Tiriti.

Honouring Te Tiriti in our income and welfare systems requires a strengths-based, kaupapa Māori approach, genuine partnership and co-design. The Government must ensure NZIIS governance and administration is capable of delivering kaupapa Māori solutions and partnership with iwi.