

Submission on A New Zealand Income Insurance Scheme

Your name and organisation

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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?*

By treating all employees the same regardless of race

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

I am assuming there will be Maori representation on any organisation set up to administer the scheme

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

As above

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

As above

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?*

Yes

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?*

Yes

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, otherwise it would soon become unaffordable

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 wherever possible

12 *Do you agree that income insurance should cover the 'loss of reasonably anticipated income'?*

That will need some careful defining to avoid abuse

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, but it would need to be carefully defined as to what constitutes a regular pattern of work

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?*

There would need to be some sort of written record of hours worked and the entire period of employment would need to be examined to see that figures were not skewed by a short-term event which gave rise to a different pattern of work.

Coverage for self-employed workers

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

Self-employed have been left out of the picture for a long time and should be able to access help of this sort. However, care would need to be taken in assessing what constituted a loss of income. It would be necessary to establish that it was not simply down to carelessness or poor delivery of goods or services.

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

I think it would have to be capped by the number of employees in the same way that the 90-day trial period eligibility is.

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

Those with a high degree of independence would be ones who get referral work from several different sources in addition to finding their own work. Those who work solely for one business should be considered to resemble employees and should thus be entitled to the scheme on that basis.

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

The failure of the company they are contracted to.

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

It would probably have to be done in the same way that the collection of GST is done, because there would be no way of knowing what their earnings would be until after the fact.

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?*

That seems reasonable

Limits on subsequent claims

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

Yes

25

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

This would probably be necessary to avoid the scheme becoming abused

26

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

I don't really know

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?*

Yes

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?*

That seems a fair compromise

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)?*

That may be a trifle high

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?*

No, I think any passive income should be taken into account as well.

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

Yes

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, but care would be needed to avoid employer's using this as a subsidy for them and an excuse to pay lower wages.

34

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

Yes

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?

Yes

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

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?

Yes

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?

Yes

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

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

I think the current proposal is about right

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, if it is needed for someone to complete their necessary studies

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?*

Yes

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, apart from injuries or illnesses contracted as a result of criminal activity

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

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?*

Yes

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

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

Yes

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)?*

Some further work may be needed on this question

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

I don't know

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?*

Statutory, as voluntary arrangements of this sort are, in my experience as an employment advocate, seldom honoured.

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?*

Yes

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?*

Yes

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?*

Yes

63	<i>Do you agree claimants should be obligated to remain in New Zealand to remain eligible for income insurance?</i>
	Yes
64	<i>Do you think a period of time, such as 28 days, should be allowed for travel overseas, for example, to support ill family?</i>
	This would have to be very carefully monitored

Specific obligations for claimants with a health condition or disability

65	<i>Should claimants with health conditions or disabilities be subject to obligations to participate in rehabilitative programmes and other support, where appropriate?</i>
	Yes wherever practical.
66	<i>Should claimants with health conditions and disabilities be subject to obligations to search for work or undertaking training where they are able to?</i>
	That would depend on the nature of their health or disability.

Consequences for non-compliance

67	<i>Do you think financial penalties should be in place for people who do not meet their obligations while receiving insurance payments?</i>
	Yes
68	<i>Do you agree that payments could be fully suspended in cases of serious, intentional non-compliance with obligations?</i>
	Absolutely
69	<i>Do you think any other consequences should be in place for people repeatedly not meeting their obligations, such as permanent suspension of entitlements?</i>
	Yes

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?*

While I have my reservations about ACC's track record, they are the obvious choice. However, there will need to be some "re-educating" of senior management at ACC first.

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

Probably better with a new entity with a clearly defined set of values.

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?*

By education. It is simply a no-brainer that we should have this scheme as it should lead to a better qualified workforce which is surely in everyone's best interests. People who are out of work and money do not spend in the local economy so this should be of particular help in small towns where dozens of people are often made redundant at a time.

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

We are all in this together and I see no need for separate conditions for anyone.

Displaced workers: Getting back to good jobs

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

Access to free training would be a good start.

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

Work and Income

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

That would need to be assessed on a case by case basis

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

Vocational advice, and training

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?*

Healthy lifestyle advice and exercise

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

Work and Income

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

That would need to be assessed on a case by case basis

Dispute resolution

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

Yes

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

No

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?*

Yes

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?

Yes

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?*

Yes

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?*

Possibly 60% employer and 40% employee instead

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

No

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?*

Yes

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

No

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

No. I think it would be an appropriate design setting

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?*

Yes

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

Pay as you go

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?*

Yes it would need to be locked in so that a change of Government could not upset the scheme

Other comments

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