Submission on the

NZ Income Insurance redundancy scheme

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I am a retired policy researcher, who has been working on pay equality issues for women on and off, paid and unpaid, since the late 1980s. I am a long-standing member of the **Campaign for Equal Value Equal Pay**, which has monitored the gender pay gap in the New Zealand labour market since 1974, and gender/ethnicity gap gaps since 1997 (www.cevepnz.org.nz). In 2013-4 we provided historical evidence to the Employment Court in the 2013 *Bartlett vs Terranova* case, and in 2019 provided labour market data for the Mana Wāhine claim to the Waitangi Tribunal.

This redundancy scheme is, in my view, a nice-to-have but not a priority. Sure, other countries have one. But our priority should be improving our existing, government-funded income supports, which are currently under review. And improving labour relations with Fair Pay Agreements. This discussion document seems to cut across those other important pieces of policy work.

My main concern about this second-tier of a redundancy scheme is that it will reinforce existing structural inequalities in the labour market – experienced by women, especially Māori and Pasifika women, by young people, and by some new immigrant groups.

Income insurance scheme will reinforce labour market inequalities…

- Any new entitlement that pays out a percentage of a previous salary, rather than the same flat rate for all, will reinforce existing income inequalities.
- Eligibility limited to jobs defined as 'permanent' employment will exclude a proportion of 'just in time' employees who are employed casually or whose hours of work fluctuate at no choice of their own.
- Entitlements based on being in the scheme for six months (i.e. having already had a job that lasts that long), and limited to six months of payments in any 18, will exclude many employees in casual employment.
- It is unclear how eligibility would transfer or be affected when a person changes jobs to a new employer. With or without a period of redundancy or unemployment. Does the six months stand-down start again?
- Labour market 'churn' already disproportionately affects the social groups named above – see Stats.NZ data for job tenure, which is among the shortest in the OECD. Surveys show many employees worry that they will not have their job in a year's time.
- This redundancy scheme only works for employees for six months out of any 18 of employment – or is it six months out of every 24? Otherwise, people are reliant on the current Unemployment Benefit (or Disability Benefit). If many employees cannot predict their employment future in a volatile economy and a casualised labour market, how can they predict if they will benefit from this very limited redundancy scheme? Why would they want to join?

…encourage further casualisation…

- The discussion document gives no consideration or examples to address the situation of those in low paid precarious employment – or the 'gig economy' in middle class jobs.
- The scheme's limitations of eligibility and coverage will encourage employers to increase the excluded kinds of employment. In fact, at p.48, 'derisking' insecure employment is listed as a benefit of the scheme.
- Casualised hiring is likely to increase among employers who, like the Employers & Manufacturers Association, see the scheme as an additional cost on them. Employers may be less concerned about laying off staff, because 'They've got income insurance anyway, haven't they?'
- This proposed attempts to extend redundancy entitlements to the private sector – which are nearly impossible to achieve under the present wage bargaining regime. Most redundancy agreements are in the unionised state sector, where this scheme would reduce any 'down-sizing' bills for government agency employers.
- Rather than seeing this scheme as increasing labour costs, employers should recognise it as a bargain redundancy agreement subsidised by their staff.
- Employers, as well as employees, will pay a levy to fund the scheme. It must be ensured that – unlike KiwiSaver – the employer's contribution cannot be deducted from wages.
- Employers will pay a one month period of notice of redundancy at 80% of wage rates. Then ACC picks up the bill. Currently, periods of notice are paid at the full, normal wage rate, and it is only fair that this should continue.

…and it won't work anyway

- We know individual job insurance won't work, because we've tried it before, in 1930. Historian Tony Simpson describes it as 'a massive failure' (*The Slump*, p.41, 64),
- The United Government introduced an individualised income insurance scheme with a levy on all employees to fund payments to those who lost their jobs. It was overwhelmed by massive levels of unemployment. It too was socially regressive, overtly so. Pākehā males were to get a pay-out, Māori men a lesser pay-out, and women no pay-out at all. In the event, the money went to local governments and other organisations to fund work camps, tree planting, roading infrastructure, etc.
- It didn't work for the USA either, after the 2007-9 financial crisis. Various state income insurance schemes paid out for 3 to 6 months, then had to be extended by Congress. But it was six years before the US labour market (and the consumer economy) recovered to pre-GFC levels. In 2018, 3 out of 5 unemployed people who had worked in the previous 12 months but not applied for the employment insurance benefit cited eligibility issues (US Bureau of Labor Statistics, *The Economics Daily,* 1.10.2019). Such as the only-after-six-months qualification or the six-months-in-every-18 limit in MBIE's proposed scheme.
- The future we face is likely to hold massive amounts of unemployment. We can expect our economy to be disrupted by 'natural' catastrophes like coastal erosion, floods and fires, by economic impacts like peak oil and gas and the need to end fossil fuel use, by disrupted supply chains and export markets, by resource wars and migration. New triggers of financial crashes will be added to the currently decadal speculative ones. Investment-funded institutions like ACC are likely to crash and need rescue by governments.

We will all continue to rely on our social welfare system…

- This redundancy scheme may help cushion 'the economy' in a moderate private sector down-turn, but it will do little to protect workers and their families from joblessness and under-employment (currently over 9%) through a more serious depression.
- A redundancy scheme that doesn't cover everyone and with pay-outs only over six months in every 18 (or 24?) will be insufficient at any time. All employees will continue to rely on our current income support benefits and social welfare system.
- That system is currently under review. We need to face the future with a social welfare system that works well, not a two-tier system, as the Child Poverty Action Group points out. To make our social welfare system fit for the future it needs to be based on individual, universal entitlement, non-punitive and engage in serious job creation, not trying to punish people into jobs that aren't there.
- The proposed new ACC training and job-seeker services will duplicate those of MSD, pushing people to find non-existence jobs while monetary policy deliberately maintains the economy at 3-6% unemployment.
- This scheme may help cushion 'the economy' in moderate down-turns of the private sector, but it will do nothing to protect workers and their families from joblessness and underemployment.
- Only a holistic social welfare system directly funded by a sovereign and independent government, backed by taxes, will see us through – together, not individually. Taking collective, political responsibility for each other, not handed off to a statutory institution with limited flexibility and limited financial powers.
- New Zealand's successful response to the current global crisis surely demonstrates the efficiency with which a sovereign government, rather than an arms-length institution, is able to respond to support incomes, jobs and the economy as a whole.

Good points in this scheme must be addressed in the Social Welfare review

- Some points in this discussion document are improvements that are needed, and are being discussed, for the whole social welfare system. (This increases the perception of it cutting across other work by MSD and MBIE.)
- Importantly, the entitlements would be individual. As proposed, you could not be disqualified because you have an employed, able-bodied partner. You could not be disqualified by an actual or purported relationship-in-the-nature-of-marriage (which has a strongly recidivist effect on gender equality).
- The redundancy pay-outs would be more liveable than the current unemployment benefit, which is not. At least for those whose 80% is more than the median wage. For many others, will 80% of their usual pay be less than the legal minimum wage? The courts have already ruled that deductions taking a wage below that threshold are illegal.
- The document states that this scheme is intended to assist industry changes and labour market shifts, including those to address emissions reduction or respond to economic shocks. ACC will supplement redundancy payments with retraining and job support programmes. This would duplicate, rather than improve and extend, services provided by MSD.
- Both ACC and MSD currently have a punitive attitude to entitlement criteria, which needs to be changed, not duplicated.

- The scheme extends ACC coverage to job and income loss in the case of long term illness – for example, Covid.   No employer need feel morally obliged to carry an employee beyond their recently-restored 10 days sick leave entitlement. This extension removes some of the mean-minded distinctions between disability due to accidental injury or medical misadventure which receive 80% of earnings from ACC, and disability due to serious or long term illness, including mental illness, on the much lower sickness benefit.
- But it only applies to injury/illness that reduces work capacity by 50% or more for 4 weeks or more, for those injured or ill who are in employment. And their employer might try and hold their job open. The document discussed how complicated the criteria and distinctions would be, rather than how to resolve them. It is very unclear to me where the interface would lie between this scheme and other coverage by ACC or MSD.
  To achieve the difference in pay-out entitlement. It sounds like a bureaucratic nightmare in the making.
- The difference between MSD and ACC entitlements should instead be addressed by raising benefits to a liveable level, in parallel with raising the Minimum Wage. One Living Entitlement for all. Not a percentage of differentiated wages in a highly polarised labour market.

This redundancy scheme is misnamed

– and here I'm getting picky.

It is not insurance. With insurance, coverage kicks in from the first payment, not six months later.

It is not income support. It is applies only in clearly-defined situations of redundancy, or inability to work due to injury or illness. It only applies to clearly-defined 'permanent' jobs. Its pay-outs are for a very limited period of another limited period. It is certainly not 'social' insurance, as referred to in some media, as it would reinforce social inequalities.

'Displacement'? Displaced people, as from Syria or Ukraine? Or displaced my job in the labour market, should have gone to SpecSavers?

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21.4.2022