

Submission template

A New Zealand Income Insurance Scheme

This is the submission template for the discussion document, *A New Zealand Income Insurance Scheme*.

The Ministry of Business, Innovation and Employment (MBIE), on behalf of the Government, Business New Zealand and the New Zealand Council of Trade Unions, seeks your written submission on the matters raised in the discussion document by **5pm on 26 April 2022**.

Your submission could be made public

The information provided in submissions will be used to inform policy development on the proposed income insurance scheme, including how it could be improved and how it could affect different groups. We may contact submitters directly if we require clarification of any matters in submissions.

The *Privacy Act 2020* applies to submissions and responses. Any personal information you supply to MBIE in making a submission will only be used for the purpose of assisting in the development of policy advice as part of this review. When businesses or organisations make a submission, we will consider that you have consented to the content being included in any summary of submissions unless you clearly state otherwise. If your submission contains any information that is confidential or that you do not want published, you can say this in your submission. Please clearly indicate in your cover letter or email with your submission if you do not wish your name, or any other personal information, to be included in any summary of submissions that may be published.

Submissions and responses may be subject to requests for information under the *Official Information Act 1982*. Please clearly indicate in your cover letter or email with your submission if you have any objection to the release of any information in your submission, and which parts you consider should be withheld, together with the reasons for withholding the information. Your views will be taken into account when responding to requests under the *Official Information Act 1982*. Any decision to withhold information requested under the *Official Information Act 1982* can be reviewed by the Ombudsman.

How to make a submission

Please send your written submission on the options and questions in this consultation document by **5pm on 26 April 2022**. You can make your submission (preferably using this submission template) as follows:

1. Include your name, the name of your organisation (if applicable), and contact details. We may contact submitters directly if we require clarification of any matters in submissions.
2. Your submission may respond to any or all of the questions in the consultation paper. Where possible, please include information or evidence to support your views. We also encourage your input on any other relevant aspects of the income insurance scheme in the “Other comments” section.
3. Sending your submission:
 - a. Attach as a Microsoft Word document or searchable PDF and email to:

incomeinsurance@mbie.govt.nz (preferred), or

b. Mail your submission to:

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6145

If you have any questions on the submissions process, please contact incomeinsurance@mbie.govt.nz.

Submission on A New Zealand Income Insurance Scheme

Your name and organisation

Name	Nancy E Loucas
Organisation (if applicable)	Paraclete Associates Limited
Contact details	Privacy of natural persons

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?*

No.

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?*

Consult with Tangata Whenua on what their needs and thoughts are.

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

Consult with Tangata Whenua on what their needs and thoughts are.

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

Consult with Tangata Whenua on what their needs and thoughts are.

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

Consult with Tangata Whenua on what their needs and thoughts are.

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?*

No, as I believe many employers will use those criteria to cut payroll because of P/L and cash flow issues. This would require further investigation at time of application to confirm.

8 *Do you agree with excluding resignation as a reason for claiming insurance?*

It depends on the reason for the resignation. Some resignations are made due to intolerable working conditions, so this would require further investigation at time of application.

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

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. Need the definition of “practical” for this purpose however

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

Yes based on the previous two years income.

13

Do you agree that income insurance entitlements should be based on an 'established pattern of work'?

I would like to see what the definition of "established pattern of work" actually is.

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

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?

No

17

How would these design choices work in practice? What risks can you see with the approach to establishing a regular pattern of work?

I don't believe that casual employees should be covered in this scheme.

Coverage for self-employed workers

18

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

If one uses the previous two years of financial statements to show that the self employed had regular income, then it should be a no brainer. 80% of the average of the last 2 years income.

19

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

Those who are self employed and hold cash assets above 1 million NZD should not be entitled to this scheme. There are many in the top 1% who are considered "self employed" but who hold other contracts and assets that are more than sufficient to cover their expenses.

20

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

If someone has a long standing contract (or two) – with long standing meaning over 3 years of continuous engagement – then they should be treated as a "contractor who resemble employees".

All outside of the above definition should be considered "those with a high degree of independence"

21

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

Loss/Closure of business due to market forces outside of their control

Loss/Closure of business due to health and/or disability

Loss/Closure of business due to

22

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

The programme should be OPT IN for ALL self employed. Levies should not be made mandatory at all, as cash flows fluctuate throughout the year. Also, many self employed already have income loss insurance.

IF a self employed person chooses to OPT IN, then their levies should be payable according to their provisional tax payments – whichever tax scheme they are currently on (quarterly, AIM, etc) is when they should also make their income insurance payment.

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?

The contribution period should be one year, 12 months.

Limits on subsequent claims

24

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

The only limit that should be placed is that they can apply once in every financial year.

25

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

No. It should be by financial year

26

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

Need further clarification on what exactly this means in this context?

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?*

I think all employers should contribute to the scheme.

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?*

Yes, but I also believe that some salaries are below market and not “living wage” so there will need to be a schedule of living wage equivalencies for “blue collar” jobs to be sure that people can survive on the 80% replacement rate. If their income is not sufficient they should be paid 80% of the living wage equivalent.

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)?*

Yes

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 hold concerns that some “self employed” may have cash assets and family trusts that generate income that will not be captured under this proposal.

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

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?

No. Insurance is insurance, not income.

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. The superannuation and veterans pension are earned and/or already paid for by the individual and should be excluded from any "income" requirements for this scheme.

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?

The income insurance portion should follow the 6 month rule as described in the proposal.

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?*

No

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 but no more than an additional six months.

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, if possible.

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?*

No.

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?*

If necessary

48 *Do you consider that stronger integrity measures are necessary to manage the risk of spurious claims to the income insurance scheme?*

I would like to see the definition of "spurious" before I agree to this idea

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

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?*

No, that is what ACC is for

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?*

I don't agree with putting ACC entitlements into this scheme

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?*

No

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)?*

No

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

That is dependent on the workplace, and type of employment. I can say that most employers are more concerned with throughput and show a decided lack of consideration for those with health conditions or disability.

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?*

There should be made mandatory the requirement to hold a position of equivalent skill and salary

58 *Should this be a statutory requirement placed on employers or an expectation?*

There should be made mandatory the requirement to hold a position of equivalent skill and salary

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?*

I'm not convinced on bridging payments. I can see all sorts of shenanigans happening with that.

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?*

If they are market ready then there is no reason they should not be able to prepare. Obligated is language from WINZ that is denigrating and unnecessary in this context.

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 *Do you agree claimants should be obligated to remain in New Zealand to remain eligible for income insurance?*

Yes

64 *Do you think a period of time, such as 28 days, should be allowed for travel overseas, for example, to support ill family?*

Yes

Specific obligations for claimants with a health condition or disability

65 *Should claimants with health conditions or disabilities be subject to obligations to participate in rehabilitative programmes and other support, where appropriate?*

This language is straight out of WINZ and as mentioned before, denigrating and discriminatory. People will have PAID into this and should not be obligated to do anything. They get their 6 months and they are done and dusted

66 *Should claimants with health conditions and disabilities be subject to obligations to search for work or undertaking training where they are able to?*

This language is straight out of WINZ and as mentioned before, denigrating and discriminatory. People will have PAID into this and should not be obligated to do anything. They get their 6 months and they are done and dusted

Consequences for non-compliance

67 *Do you think financial penalties should be in place for people who do not meet their obligations while receiving insurance payments?*

This language is straight out of WINZ and as mentioned before, denigrating and discriminatory. People will have PAID into this and should not be obligated to do anything. They get their 6 months and they are done and dusted

68 *Do you agree that payments could be fully suspended in cases of serious, intentional non-compliance with obligations?*

This language is straight out of WINZ and as mentioned before, denigrating and discriminatory. People will have PAID into this and should not be obligated to do anything. They get their 6 months and they are done and dusted

69 *Do you think any other consequences should be in place for people repeatedly not meeting their obligations, such as permanent suspension of entitlements?*

This language is straight out of WINZ and as mentioned before, denigrating and discriminatory. People will have PAID into this and should not be obligated to do anything. They get their 6 months and they are done and dusted

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?*

No.

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

Yes

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?*

Talk with them, away from each other, to find out what is really going on in workplaces and how employer/employee relations actually are at the coalface.

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

Engage with Māori in their environment....LISTEN to the people.

Displaced workers: Getting back to good jobs

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

If people need to be retrained, they go through WINZ. If people need rehabilitation from health/disability issues they go through ACC. This is an INSURANCE payout, for people who lose their income through no fault of their own, that THEY have contributed to.

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

As above.

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

As above.

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

That should be up to the employee and resources already available as above.

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?*

If people need to be retrained, they go through WINZ. If people need rehabilitation from health/disability issues they go through ACC. This is an INSURANCE payout, for people who lose their income through no fault of their own, that THEY have contributed to.

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

As above

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

That should be up to the employee and resources already available as above.

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?*

Restricting access to payments, vis a vis the ACC method, is going to lead to even more issues. People should at the very least, during a dispute get their contributions immediately

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?*

I think that as long as people have the ability to OPT OUT, then these proposals are sufficient. Criminalising people for not participating when they have chosen to, is still dodgy however.

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?*

As long as the privacy of individuals is maintained, then 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, as long as the scheme is OPT IN and not mandatory for the self employed.

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?*

I believe a 70/30 split would be fairer.

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

Yes

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?*

The rate should be on a sliding scale as someone at 10K cannot afford the same as someone on 130K. Set it at 2, 4, 6, and 10% - same income band schedule as income tax, with the employer taking 70% of the cost.

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

As above

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

No I do not.

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?*

Save As You Go.

Building in scheme adaptability, while protecting levy sustainability

93	<i>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?</i>
	Yes.
94	<i>Does such flexibility create risks that require additional mitigations?</i>
	Possibly they will. Hard to assess at this stage.

Other comments

I believe that this should be an OPT IN scheme, especially for the self employed as many already have income protection insurance that covers loss of income. Having private income insurance should not be a requirement to OPT OUT of this scheme however.

I believe that the contribution rates should be split 70/30 between employer and employee at least up until the 50K income mark. After the 50K mark it should be a 50/50 split on premiums.

I believe that the premiums should be on a sliding scale, using the same income bands as the income tax tables we have. Starting at 1% of income for the lowest paid, up to 10% for the highest paid.

Lastly, I find it disconcerting that the government seems to be using this proposal to bring all the current social programmes under one umbrella and applying arbitrary requirements from both ACC and MSD/WINZ to a programme that are punitive and discriminatory.

On one hand you want to force people to participate and pay part of their income for "insurance" that they will need to beg borrow and fight for if they happen to have superannuation or a veterans benefit. That's disrespectful to our elders.

If people PAY for the privilege of "income insurance" and there are issues, at the very least they should get their contributions back during any dispute.

And where exactly is the benefit to participating and making contributions to this scheme when one could just set aside the funds themselves and earn interest on it? The presumption that a "KiwiSaver" style social net is required for all, when we already have WINZ and ACC seems a bit redundant.