



Submission to MBIE on proposed Income Insurance scheme: incomeinsurance@mbie.govt.nz

Introduction

1. NZEI Te Riu Roa (NZEI) is a professional organisation and union representing the interests and issues of 49,000 members employed as teachers and leaders in the early childhood education and primary sectors (including Kura Kaupapa Māori and Wharekura), support staff in the early childhood, primary, intermediate, and secondary education sectors, school advisers employed by universities, and Learning Support staff employed by the Ministry of Education.
2. NZEI Te Riu Roa is a values-led, te Tiriti o Waitangi-based organisation. This means that in all areas of work mokopuna Māori are considered first. We call this Mōku te Ao. Our submission is informed by this approach.
3. The main objective of NZEI Te Riu Roa is to advance the cause of quality public education generally while upholding and maintaining the just claims of its members individually and collectively.
4. NZEI Te Riu Roa is one of the largest unions and professional bodies in Aotearoa New Zealand and has a long history of playing a positive role in the education sector and on wider social issues affecting our members and the tamariki and whānau they serve.

General comments

5. NZEI Te Riu Roa supports the introduction of the income insurance scheme. Strong communities with reliable and secure employment support tamariki to be successful and secure and help create the social capital that supports successful schools and early childhood education centres. The proposed scheme has the potential to improve the wellbeing of communities and whānau by offering protections for 'displaced workers' who lose employment through being made redundant, laid off, or who must stop working for health or disability reasons.

6. For those covered by the scheme, this would make transitions between jobs smoother, reduce the pressure to move into less suitable employment and limit the potentially damaging effects of wage scarring. The provision of options for extending support for retraining is also welcomed. This scheme has the potential to improve the lives and wellbeing of many, thereby strengthening whānau, community and ultimately the lives of tamariki. For these reasons, NZEI Te Riu Roa support the proposed scheme in principle.
7. The scheme could be especially beneficial to teachers working in the Education and Care sector and support staff in schools and early childhood education centres who often have relatively poor redundancy provisions in their contracts compared with teachers in the compulsory sector. Given the high levels of churn and insecurity witnessed in early childhood education, especially in the high competition private sector, keeping early childhood teachers in the industry is a priority for NZEI Te Riu Roa.¹ The scheme has the potential to improve the income security of these workers and support them to find suitable reemployment, and retraining, within the sector.

Education sector specific concerns

8. While we support the scheme in principle, there are aspects specific to the education sector where we have concerns. These largely concern the uneven distribution of benefits relative to costs that arise from a universal flat levy. We outline these below.

Cross-sector subsidy

9. Due to the proposed flat levy, where levy contributions are set at a proposed 1.39% of income for all employers and employees, the scheme will have disproportional benefits relative to costs depending on the sectors and/or occupations the employer and employee are situated within.
10. For teachers, principals, and many others employed permanently in the compulsory state and state-integrated education sector, the likelihood of redundancy is low. These individuals will be contributing to a scheme that they are less likely to access, essentially cross-subsidising other sectors of the economy where risk of employee displacement is higher. The discussion document suggests that the scheme will have the capacity to include an employer experience rating once the scheme is in place. This has parallels to ACC Levy Risk

¹ Hyslop, Dean and Trinh Le (2020) 'The career paths and employment transitions of Early Childhood Education workers', *Motu*.

Groups and could allow the scheme to share the risk of income loss, as intended, while spreading the associated costs in a more distributional manner. We support keeping the employer experience rating on the table, perhaps to be considered once enough data has been collected through the operation of the scheme.

Precarious employment

11. Those within the education sector who are in precarious casual and fixed-term employment, such as many teacher aides, may also gain less from the scheme relative to the personal cost of the levy. The discussion document recognises the difficulty of covering 'non-standard employment' and proposes to include them 'as far as is practical'.² The proposed approach is to cover the 'loss of reasonably expected income'. We support this approach however recognise that this has disproportional impacts.
12. Māori and Pacific women are overrepresented in forms of non-standard and precarious employment. Given this, the coverage of such employees is welcomed by NZEI Te Riu Roa, however a few issues and questions remain.
13. Casual workers have no guaranteed hours of work. It is not clear what would happen in the instance that a casual employee is not offered any work for a period yet are kept 'on the books' by an employer in case of future labour needs, or to avoid paying the required one month of support at 80% of their regular income.
14. Fixed-term employees who can show a regular pattern of work with an employer, and a reasonable expectation of future income, will be treated like permanent workers and be eligible for the full support offered if their regular pattern of work is disrupted. In many instances, an employer who requires such regular employment has a legal obligation to offer the employee a permanent position. If a fixed-term employee meets this threshold for inclusion, it potentially raises questions over the legality of their fixed-term employment contract and whether such employees should in fact be on permanent contracts to begin with.
15. Fixed-term and casual education workers generally earn less than their permanently employed colleagues. Even though the levy is based on a percentage of total income, its impact is likely to be more strongly felt by lower paid workers. For workers on low incomes

² *Discussion document*, 58.

even small extra costs can have a big impact because a relatively larger portion of their income is dedicated to essential expenses.

16. As the discussion document notes, this concerns the cross-over between the scheme and the existing welfare system:

although both low-income and higher-income workers will contribute the same flat portion of their income (the flat rate levy), the additional help provided to a low-income worker above current transfer payments will be proportionally smaller. This interaction with the current welfare system may make the system somewhat regressive.³

The Levy-free threshold for low-income earners of \$23,000, mentioned in the discussion document, would help ensure that those less able to contribute to the scheme are not financially burdened by it.⁴ The levy should only apply to income earned above the threshold. This approach would ensure fairness for those who are both on low incomes *and* those in precarious employment, as they are less likely to benefit from the scheme and more likely to suffer from the financial impact. NZEI Te Riu Roa supports the inclusion of the Levy-free threshold in the scheme.

17. Ultimately, as both the Child Poverty Action Group⁵ and the Welfare Expert Advisory Group⁶ have highlighted, the Income Insurance scheme does not have the capacity to address wider issues around precarious work and poverty in Aotearoa New Zealand. Without substantial investment in improving our existing welfare system there is a risk that the Income Insurance scheme will have the effect of 'baking-in' existing inequalities for the unemployed, or those in precarious, part-time, irregular and/or low-paid work. This will have substantially disproportionate impacts on Māori and Pacific populations, particularly women, as well as those with disabilities.

³ Discussion document, 140.

⁴ Discussion document, 140.

⁵ Child Poverty Action Group, *Social Unemployment Insurance: Concerns from Equity and Anti-Poverty Perspectives* (Auckland: CPAG, June 2021).

⁶ Welfare Expert Advisory Group, *Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand* (Wellington: WEAG, February 2019).

Further remarks

18. In addition, there are a few components that we believe should be considered as part of the proposed scheme that are not fully addressed in the discussion document.

Extending the scheme to Paid Parental Leave (PPL)

19. The discussion document notes areas of crossover where someone might be eligible for both PPL and income insurance at the same time, for example if they are made redundant during their period of PPL or suffer an injury during birth that impacts their ability to work.⁷ The Forum propose that PPL and income insurance could be accessed sequentially, but not at the same time. In many other OECD countries, PPL is based on a contributory system like the proposed Income Insurance Scheme.

20. We believe that there is an opportunity to extend the scheme to cover PPL. Aotearoa New Zealand has one of the lowest levels of support for PPL in the OECD. In a 2021 report, UNICEF ranked Aotearoa New Zealand as 39th out of 41 rich countries for its parental leave provisions.⁸ Although the Labour government increased Aotearoa New Zealand's PPL to 26 weeks in 2020, a payment cap of \$621 per week remains, which is significantly less than a full-time worker on minimum wage. This needs to be seen in relation to the OECD average, which is around 50 weeks of full pay.⁹

21. PPL is taken up by only around half of the parents of babies born. While PPL is transferable, this has been shown to occur in less than 1% of cases.¹⁰ Uptake of unpaid partner leave has also been shown to be low, at around 4%.¹¹ This is largely because it is paid at such a low rate purely as a government grant. To an extent, these limitations are by design. Because the New Zealand scheme is funded through general taxation it must compete with all other policy areas for funding, and rates have been set low and are seen as a type of benefit payment rather than as genuine income replacement.

22. The more generous schemes in other jurisdictions are funded through social insurance schemes like ACC, with a view by voters and governments alike that they are an investment

⁷ *Discussion document*, 86.

⁸ Anna Gromada and Dominic Richardson, *Where do rich countries stand on childcare?* (Innocenti, Florence: UNICEF Office of Research, 2021).

⁹ OECD, *Trends in parental leave policies since 1970*. Accessed 11 April, 2022.

https://www.oecd.org/els/family/PF2_5_Trends_in_leave_entitlements_around_childbirth.pdf

¹⁰ Ministry of Business, Innovation and Employment, *Regulatory Impact Statement: Modernising Parental Leave* (2015), 4.

¹¹ *Modernising Parental Leave*, 4.

in the future, and that the caring role undertaken by parents on parental leave should be valued and well-compensated.

23. NZEI Te Riu Roa encourages the Forum to explore and cost the inclusion of paid parental leave into the scheme's coverage.

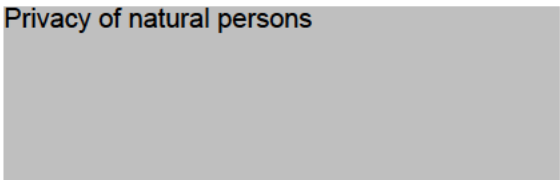
Extending retraining provision to support filling essential skills shortages

24. NZEI Te Riu Roa supports the provision for individuals to extend income insurance to cover a period of retraining.¹² The discussion document notes addressing worker reluctance to try new jobs as a motivating factor for the scheme.¹³ Education is currently suffering a crisis in teacher supply and retention, especially in the early childhood education sector. A major challenge the education sector faces is attracting good people to the profession and keeping them there. Extending the retraining allowance beyond the 12-month maximum to allow people time to retrain as teachers, especially those who have knowledge in areas desperately needed in the sector, such as speakers of te reo Māori, would be of great benefit to the recipient, as well as to Aotearoa New Zealand in general.

Consultation

25. NZEI Te Riu Roa would be happy to meet with you for further consultation around the specific impacts the proposed scheme will have on the education sector.

Privacy of natural persons



Stephanie Mills

Korimako Tangiata | National Secretary

26 April 2022

¹² Discussion document, 89.

¹³ Discussion document, 22.