

26 April 2022

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment

By email: incomeinsurance@mbie.govt.nz

Social Unemployment Insurance Scheme

Dear Colleague

The New Zealand Medical Association (NZMA) wishes to provide feedback on the above consultation. The NZMA is New Zealand's largest pan-professional medical organisation, with about 5,000 members from all areas of medicine. The NZMA aims to provide leadership of the medical profession, and to promote professional unity and values, and the health of all New Zealanders. We recognise the principles of te Tiriti o Waitangi and the special obligations to Māori, particularly to ensure equity and active protection. Current disparities in health outcomes between Māori and non-Māori are unacceptable. The NZMA is committed to advocating for policies in health and the social and wider determinants of health that urgently address these disparities and contribute to equity of health outcomes. Our submission has been informed by feedback from our Board, Advisory Councils and members.

1. We note that under the proposed scheme, workers would receive 80% of their usual salary for up to seven months if they are made redundant, laid off, or experience a health condition or disability which leads to them stopping work entirely, or reduces their capacity to work by at least 50%. We note that the scheme would require people receiving income insurance payments to look for work or take part in training and rehabilitation. We understand that the scheme would be paid for by an initial levy of 2.77%, split between workers and employers, and would be managed by ACC.

2. The NZMA has several concerns with the proposed scheme. These relate primarily to its impacts on equity across all New Zealanders and its potential to lead to a two-tier welfare system. We also have concerns about the impacts of the scheme on the sustainability of General Practice and the meaningfulness of the consultation process. We elaborate on our concerns in the following paragraphs.

3. We believe that the proposed scheme is likely to perpetuate, and indeed exacerbate, existing inequities in New Zealand. A fundamental problem is that it would create differential access to income support for those who have the fortune to be waged compared to the unwaged. Those who stand to benefit most under the scheme are people in regular, full-time, well-paid work, without dependent children. The most vulnerable groups—those who are already on welfare, or those who are in precarious, part-time, irregular and low-paid work—will not be eligible at all or will receive a low rate of payment under the scheme. Māori, Pasifika, women and people with disabilities are all disproportionately represented in these groups and, as such, would be further disadvantaged under the scheme. While the proposed scheme would go some way towards addressing the current inequity for income support between people experiencing an accident and those with non-accident related health conditions, it will widen the inequity between those eligible for the scheme and the most marginalised sections of our population who will not be eligible for income support.

4. In the context of soaring costs of living, our view is that the 1.39% contribution by workers to fund the proposed scheme will be unaffordable for many people on lower incomes who are already struggling to make ends meet. Furthermore, people on lower incomes in short-term or irregular jobs may be ineligible to receive income insurance payments under the proposed scheme despite having made contributions via the levy. We note that anti-poverty advocates are concerned that a social insurance scheme would weaken the Government's focus on child poverty because the highest rates of child poverty are in welfare benefit-receiving households.¹ These children will not benefit from the proposed scheme.

5. In addition to introducing yet more complexity to an already convoluted system, it is likely that the proposed scheme would lead to a two-tiered welfare system—a first tier of income support for those who lose their jobs and a second tier of welfare benefits for those who are unemployed for a long period and/or unable to work such as single parents caring for dependent children, or people with a serious disability. In doing so, the scheme would perpetuate the stigma for those receiving welfare benefits and reinforce, instead of mitigate, notions of the deserving poor versus the undeserving poor that exacerbate poor mental wellbeing for recipients of welfare benefits.

6. We have major concerns about the impacts of the proposed scheme on the sustainability of General Practice. General Practice is the cornerstone of our health system but has been disproportionately impacted by a long-standing under investment in health. In the current environment of rising inflation and significant wage pressures, the 1.39% levy to fund the proposed scheme represents yet another cost at a time when many practices are struggling to remain viable under current funding arrangements. The General Practice workforce is also fatigued and experiencing high rates of burnout. The additional work capacity assessments that GPs would be expected to conduct under the scheme will stretch the demands on a workforce that is already strained. Assessing work capacity is complex. It is unclear, for example, how a reduction in capacity to work of at least 50% as proposed in the scheme would be practically determined.

7. There is a lack of confidence with respect to ACC administering the proposed scheme. In addition to concerns about its current handling of claims, responsiveness and confidentiality, the corporation struggles to monitor and support people back into work under its core business. Furthermore, ACC has been shown to be biased against women, Māori and Pasifika.² Many of

¹ Child Poverty Action Group. Social Unemployment Insurance: Concerns from Equity and Anti-Poverty Perspectives. Available from https://www.cpag.org.nz/assets/CPAG_social_insurance_concerns_regarding_inequity_and_poverty_web.pdf

² [ACC biased against women, Māori and Pasifika - agency's own analysis shows | RNZ News](#)

the systemic issues that create discriminatory outcomes under ACC's current remit are also likely to impact on a proposed income insurance scheme it may be entrusted with administering.

8. It is disappointing that major decisions regarding the proposed scheme appear to have been made before consultation on the discussion document has closed. We note that ACC was recruiting for an executive lead to head the income insurance scheme in February despite the discussion document seeking feedback on whether such a scheme should be introduced, and whether it should be run by ACC or is better delivered by a government department or a new entity. Consultation is a key step in ensuring robust policy development and, if it is to be meaningful, should occur before final policy decisions are made.

9. We are concerned that the discussion document appears to have cherry picked from recommendations by the Welfare Expert Advisory Working Group as part of the attempt to provide a justification for the proposed scheme. While the Welfare Expert Advisory Working Group did indeed conclude that there is significant scope to enhance support for people who are displaced and who lose their job due to a health condition or disability, they explicitly stated "we do not recommend changing our social welfare system to a social insurance model".³ Rather, the Welfare Expert Advisory Working Group has recommended comprehensive reform of the welfare system and the introduction of measures such as removing the stand-down period and disregarding a partner's income for a period of time to address the issue of job loss for multiple reasons, including illness and disability.

10. We urge caution when looking to other jurisdictions to justify a social insurance scheme. New Zealand has its own unique historical, political and economic context. In particular, existing welfare provisions in New Zealand are inadequate and piecemeal compared with many European jurisdictions that have social insurance schemes. Furthermore, we have unique obligations under te Tiriti o Waitangi to address patterns of inequality and poverty which tend to see Māori disproportionately burdened.

11. The NZMA has had strong feedback on this proposal and it is clear that our members do not support the proposed scheme. While we support the objectives to minimise the immediate financial impact of losing income for workers and their families, and support workers back to good jobs, the NZMA believes that a more effective and fairer way to ensure these objectives are met is to streamline and strengthen the existing welfare system by raising core benefits to support all those who are out of work, individualising entitlements, and ensuring the system is easily accessible for all who need it. Instead of progressing the proposed scheme, we believe the Government should commit to a comprehensive overhaul of the welfare system that incorporates these core principles.

We hope our feedback is helpful and look forward to learning the outcome of this consultation.

Yours sincerely

Privacy of natural
persons

Dr Alistair Humphrey
NZMA Chair

³ Whakamana Tāngata – Restoring Dignity to Social Security in New Zealand. Welfare Expert Advisory Group. February 2019. Available from <http://www.weag.govt.nz/weag-report/whakamana-tangata/>