

26 April 2022

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

By Email: incomeinsurance@mbie.govt.nz

Tēnā koutou,

Submission of Raise the Bar Hospitality Union Incorporated

1. On 2 February 2022, a discussion document entitled *A New Zealand Income Insurance Scheme* was released. This document was prepared by the Tripartite Unemployment Insurance Working Group (“the Working Group”) on behalf of the Future of Work Tripartite Forum (“the Forum”). It proposes the introduction of an Income Insurance Scheme (“the Scheme”).
2. This letter outlines the submission of Raise the Bar Hospitality Union Incorporated (“RBHU”) in response to the discussion document. Contact details for RBHU can be found at the end of this letter.

About Raise the Bar Hospitality Union

3. Since 2018, RBHU has operated as a digital grassroots campaign to improve work conditions in the hospitality sector. In 2021, RBHU held an Initial General Meeting and registered as an incorporated society. On 7 March 2022, RBHU was registered as a union under the Employment Relations Act 2000. RBHU has 175 hospitality workers as union members as of 21 April 2022.
4. To consult with members, RBHU arranged four Zoom consultations over four days from 10-13 April 2022. During these Zoom sessions, we asked our members a wide range of questions about the Scheme and then gathered their feedback. RBHU also initiated a dialogue with members by way of a series of Facebook posts throughout April 2022, raising questions about the Scheme.

About our submission

5. The substantive submission from RBHU is structured in two parts:
 - a. The first part, *Back to the Drawing Board*, is an ideological discussion of the stated objectives which underpin the proposed Income Insurance Scheme, how an Income

Insurance Scheme would co-exist with the wider welfare system in New Zealand, and whether alternative policies could better achieve the stated objectives.

- b. The second part, *Nuts and Bolts*, examines the proposed Income Insurance Scheme in detail.
6. For ease of reference, our submission refers to the Scheme regulator as ACC, however this should not be interpreted as an endorsement of ACC as the Scheme regulator. To the contrary, **RBHU considers that ACC is not appropriate to administer the Scheme**. One of our members spoke to the inequalities in ACC, “Making [the Scheme] anything like ACC's current iteration is setting it up for failure from the jump.”

Back to the Drawing Board

7. While RBHU does not oppose the introduction of an income insurance scheme in principle, it is essential that any scheme does not perpetuate existing inequalities in our society. RBHU is concerned that the Scheme as proposed could both directly and indirectly exacerbate the ever-widening economic gap between those individuals reliant on core benefit payments set at least 20% below the poverty-line or surviving on low incomes, and those individuals earning medium-to-high incomes. RBHU also maintains that whether people are in paid employment or are unemployed, they have a basic and fundamental human right to access a liveable income. A liveable income should cover the necessities of life with enough left over for meaningful participation in the community. In the words of the director of Auckland Action Against Poverty (“AAAP”) Brooke Fiafia, “Liveable incomes are *everyone’s* birthright.”
8. On May 20, 2021, Finance Minister Grant Robertson announced plans to design a Social Unemployment Insurance Scheme and claimed it would strengthen our existing safety net (welfare). However, antipoverty groups raised concerns early on about Minister Robertson’s plans. Auckland Action Against Poverty (“AAAP”) co-chair Vanessa Cole suggested that by introducing the Scheme, we will see further divisions between those in paid employment and those surviving on welfare payments,

‘Making distinctions between beneficiary and worker is a strategy that has been used time and time again to divide us. Separating workers from beneficiaries – those involved in caring for children, the elderly, our communities— ignores all the essential unpaid work being done by those who access our

welfare system. Our struggles are the same – an income where we can thrive and fully participate. Lifting benefits to livable levels is good for all workers.¹

9. The Scheme was fully realised with the publication of 'A New Zealand Income Insurance Scheme: A discussion document' in February of this year. The stated aims of the Scheme are to 'cover as many workers as possible, reflect the different ways people work, ensure more people can benefit and to keep costs low.' The Scheme also aims to prevent economic shock when people lose their employment. However, low waged workers on minimum wage would be expected to survive on 80% of their income under the Scheme which would be \$580 before tax. As such minimum wage workers would be expected to survive on less than the minimum on the Scheme. It's hard to see how low waged workers would avoid economic shock, when the Scheme would be pay them less than the minimum wage. Stuff Journalist Michelle Duff further speaks to some of the inequities in the Scheme,

'Women have been [disproportionately impacted by Covid-19 job losses](#). But the person who stands to gain the most from this scheme, as proposed, is a white, middle-to-high income man w\works a 9-5 job and has no dependents.

If their income is around \$130,000 a year, the suggested cap, and they lose their job, they would likely receive around \$1500 a week after tax.

If someone on minimum wage loses their job, that's about \$540 a week.

In both these scenarios, they've been paying a levy of 1.39 per cent - on a minimum wage that's about \$11 a week, and at the highest income it's \$35.²

10. It's worth mentioning that for many low waged hospitality workers, the Scheme's proposed involuntary levy payment would eat into their already low incomes. The minimum wage recently went up to \$22.00 gross per hour. As such the levy payment has gone up from \$11.00 to \$12.23 per week for minimum wage earners. This may not seem like much to a high-income earner but for minimum wage earners forgoing \$12.23 a week could mean being forced to pick between

¹ Coles V. (2021). Budget 2021: The problem with social unemployment insurance. The Spinoff Media.

² Duff M. (2022). Where are women in the Social Security Scheme? On the benefit. Stuff Media.

heating their homes in winter or buying enough food for the week. This could also result in low waged hospitality workers having to apply for food grants at Work and Income New Zealand (“WINZ”) to make up for shortfall in income.

11. Even more concerning is that Child Action Poverty Group (“CPAG”) pointed out the Scheme was likely to exasperate inequality in New Zealand,

‘A social insurance scheme is likely to be regressive and would bake-in existing inequities in NZ. Social insurance is likely to exacerbate current patterns of income inequality, and if so, it will: (1) contribute to poorer, inequitable outcomes for Māori than Māori would otherwise experience, thereby breaching Te Tiriti o Waitangi; and (2) contribute to inequitable outcomes for other groups likely to receive lower or no wages, or for those who work several jobs, including Pacific, women (particularly caregivers) and those with disabilities.’³

12. Moreover, the Scheme, completely ignores the advice and recommendations made by Welfare Expert Advisory Group’s (“WEAG”) ⁱⁱ⁴ expansive *‘Whakamana Tāngata: Restoring Dignity to Social Security in New Zealand’* document published and launched in 2019. The WEAG explicitly stated, “We do not recommend changing our social welfare system into a social insurance model”. The fundamental tikanga of *Whakamana Tāngata* aimed to provide income support sufficient for an adequate standard of living, end the punitive culture at WINZ, and tautoko those who can work into good and appropriate work. WEAG made 42 Key Recommendations which are supplemented with detailed recommendations.
13. The government accepted only three of the key recommendations made by WEAG, but according CPAG the government has failed to fully implement even one of these accepted recommendations. Several WEAG recommendations would benefit low waged hospitality workers including removing some sanctions and obligations, removing stand-down periods, and increasing main benefits by between 12%-47%, subsidising housing costs for people on low incomes

³ Child Action Poverty Group. (2021). Social Unemployment Insurance: Concerns From Equity And Anti-Poverty Perspectives. CPAG

⁴ Dr Fletcher M., O’Reilly P., McGlinchey M., Waldegrave C., Brereton K., Professor Asher I., Reid R. Professor McIntosh T., Dr Nana G., Dr Hickey H., Professor Kiro C., Tauta L. (2019). *Whakamana Tangata: Restoring Dignity to Social Security in New Zealand*. Welfare Expert Advisory Group

in addition to raising main benefits to adequate incomes, index Accommodation Supplement rates to movements in housing costs, and lastly 'Fully index income support payments and thresholds annually to movements in average wages or prices, whichever is greatest.

- 14. It is our position that if all the WEAG recommendations are fully accepted and then implemented this would be of greater economic benefit to low waged hospitality workers than the Scheme.** The WEAG recommendations of subsidising housing costs for low-income earners, raising main benefits to livable incomes, and indexing the Accommodation Supplement to reflect housing costs would alone, do significantly more to elevate poverty for low waged hospitality workers than any insurance scheme. As of 2019 20% of those receiving the Accommodation Supplement were in paid work⁵. This includes several our members who are forced to access this supplement due to spiraling rents and low wages.

The missing workers in the Scheme

15. The Scheme claims that "Most workers will be covered by the scheme." It is our position that this claim is misleading. The Scheme fails to truly recognise and understand the complexities faced by low waged and precarious worker whose lives and economic situations are often challenging, unique, and complicated. As such their working and personal lives cannot be boiled down to the narrow qualifying 'access' criteria set-out by the Scheme. The Scheme would not cover employees dismissed for misconduct, poor performance or if an employee resigned in the setting of Constructive Dismissal. The hospitality industry is rife with toxic working environments which includes harassment, underpayment of wages owed, unfair dismissal processes, and exploitation.
16. Data released by the Ministry of Business, Innovation, and Employment in 2018 showed that a third of all complaints to the Labour Inspectorate came from the hospitality industry. The highest of any industry. Recent research from the Auckland University of Technology ("AUT") provides a crucial snapshot of the state of the hospitality sector. From late 2019 to early 2020, AUT surveyed 396 workers in the hospitality and tourism sector. This research was compiled into a report entitled "*Voices From The Front Line*"⁶ and published in early 2022. Some of the more worrying findings are as follows:

⁵ Wise C., (2019). [Accommodation Supplement primary recipients, a breakdown how many recipients are in each family type by income source \(msd.govt.nz\)](https://www.msd.govt.nz/~/media/1/2/2/1/20190723140633/MSD-AS-2019-2020-Primary-Recipients-Report.pdf). Ministry of Social Development

⁶ Williamson D., Rasmussen E. & Palao C. (2022). *Voices From the Front Line*. AUT University School of Hospitality and Tourism, Faculty of Business, Economics & Law

- a. 18% were not receiving the minimum wage
 - b. 22% did not get the correct holiday pay
 - c. 22% were not getting time off or correct pay for working statutory holidays
 - d. 22% were not receiving the correct rest breaks
 - e. 81% stated they received no training in their jobs
 - f. 49% experienced or witnessed harassment in the workplace
 - g. Owners and managers or supervisors were responsible for 40% of the reported harassment
 - h. 69% were aware of health and safety risks in their workplace
17. The above data is reflected in the many weekly communications we receive from our members who haven't been paid wages owed and/or are experiencing significant harassment in the workplace which creates toxic and unsafe working conditions. These toxic working conditions and unfair workplace practices and processes often contribute to mental health issues such as depression and anxiety which can, and do, contribute to poor work performance. Such conditions can also lead to an employee having no other choice but to resign in the setting of Constructive Dismissal.
18. The limited circumstances in which you could access the Scheme as a low waged and precarious hospitality worker would leave those who would not qualify with limited options for economic support. For example, for a single person over the age of 24-years-old on Job Seekers Support the most you can get is \$315 per week. This amount sits significantly below the poverty-line.
19. Moreover, employees who have lost their employment currently face one-to-two-week gaps ("stand down period") in income from when their income from work ends to when their benefit starts. If you left your job voluntarily without a good reason or were fired for misconduct, newly unemployed workers may be forced to wait up to 13 weeks before they can access economic support at WINZ. This is called a non-entitlement period.
20. **RBHU strongly recommends that we must address the inequalities in our current welfare system, alongside the introduction of an Income Insurance Scheme.** The Scheme should expand and complement our welfare system. Instead, it is our position that the Scheme is aimed at sparing higher income earners the humiliations of the welfare system where main benefit payments are currently set below the poverty-line. One of our members suggested that you need

to fix our welfare system first because “if you don’t there is going to be less pressure on the government to overhaul the welfare system,” she said. **One clear pathway to addressing the inequalities in our welfare system would be for the government to accept and then implement the WEAG recommendations.**

Nuts and Bolts

21. RBHU acknowledges the potential benefits of an income insurance scheme in New Zealand as part of a wider welfare system which ensures equitable access, security and stability to people living in New Zealand. The Scheme must be delivered in an equitable manner with regard to the Treaty of Waitangi and the economic realities of workers funding and benefiting from the Scheme. It should also serve as one component of a wider welfare system which provides all New Zealanders with liveable outcomes so everyone can thrive and live dignified lives.
22. We have completed the submission template form (attached) to provide responses to the individual questions posed by the Working Group. This letter will draw attention to the key concerns of RBHU and its Members.
- 23. The Scheme does not reflect how employment ends in the hospitality sector.**
 - a. Under the Scheme as proposed, sectors where redundancies are less common such as the hospitality sector, will fund the income insurance for sectors where redundancies are more common. Under the proposed Scheme, low waged workers in precarious industries would end-up subsidising high income salaried employees who lose their jobs due to redundancy. Why should low-income workers subsidise high income earners who lose their jobs. Our members have told us that it should be the other way around. As one of our members pointed out:

“The only people who will benefit from this are those on high incomes, or with high income level expectations. Joe Bloggs down at Mitre 10 on a minimum wage contract doing 30 hours a week will get barely more than unemployment benefit, meanwhile ex CEO from Air NZ after being made redundant after his political rockstar period might sit pretty on 180k. How about we just make a UBI already and cut the bullshit?”

- b. As mentioned above the Scheme would not cover workers who for example, lost their jobs in the setting of a constructive dismissal. RBHU regularly raises personal grievances for unjustifiable dismissal on behalf of hospitality workers who have resigned in the setting of a constructive dismissal. It is common for hospitality employers to refuse or fail to meet core obligations, such as the payment of wages for weeks or months, leaving hospitality workers with no other option but to resign and find employment elsewhere.
- c. The Scheme would not cover workers who were “slowly rostered off” by the employer. A common tactic in the hospitality industry used by employers to get rid of an employee, is decreasing/cutting the employees shifts without consultation until such a time the employee has no shifts left. As one of our RBHU Members said during one of our Zoom Consultations, *“Most people in the hospitality industry lose their jobs by constructive dismissal either they are bullied out or have their shifts slowly reduced until there is nothing left.”*
- d. Before accessing the Scheme, the employee must have contributed to the Scheme for at least six months during an 18-month period. Meaning, it’s likely that some employees on a 90 Day Trial would be ineligible to access the scheme if they lose their jobs during the trial period.
 - i. a business considering redundancies could use a 90 day trial to undermine their payment obligations here.
 - ii. A Member raised this concern, commenting that *“some cafes are taking advantage of [90 day trial periods] only hiring people during a busy period school holidays for e.g , then using the 90 day clause to cut staff when they know it’s likely to be quiet.”*
- e. The Scheme, would not cover the employee if they were dismissed for misconduct. The scheme fails to mention whether there would be provisions (“exceptions”) if the dismissal process was unfair and unreasonable. RBHU regularly raises PG’s for our member who’ve been unlawfully dismissed through unreasonable dismissal processes.
- f. The Scheme as proposed would not cover employees dismissed for poor performance. The hospitality industry is noted for long hours, lack of breaks, and back-to-back shifts including double shifts. As such, burn-out due to exhaustion and issues concerning mental health related to toxic workplaces are common themes raised by members.

Workplace burn-out and mental health issues can contribute to poor performance and could result in the loss of employment through no real fault of the employee.

24. The Scheme attempts to address work precarity by proposing coverage for workers who undertake multiple jobs. The Scheme would cover jobs that provided 20 percent of the employees income. This is inefficient for hospitality workers who often work multiple jobs with no guarantee of hours or shifts one week till the next. One of our members pointed out, 'Hospo workers often just go from job to job and often the issue is not being fired but lack of access to secure employment.'

- a. **RBHU recommends that the Scheme is expanded to cover all loss of employment and reduction of work hours, regardless of the cause.**
- b. **In the alternative, RBHU considers that the Scheme could be expanded to cover all loss of employment apart from dismissals for serious misconduct.**
- c. **In the alternative, if the Scheme does not cover loss of employment for misconduct and poor performance, then RBHU recommends that the Government accept and implement under urgency the WEAG recommendation to remove all stand-down-periods at WINZ. RBHU also recommends that s 128 of the Employment Relations Act 2000 is amended as follows, to ensure that the default remedy for an unjustifiable dismissal is 6 months' ordinary time remuneration, not "3 months' ordinary time remuneration".**
- d. **RBHU recommends the Scheme provide full coverage no matter the percentage of income each job provides the employee.**

25. **Casual workers.** The Scheme as proposed is expected to have a disproportionate negative impact on workers who are already working in vulnerable circumstances. Under the Scheme as proposed, individuals employed on a casual basis are highly unlikely to benefit yet will be required to pay into the Scheme.

- a. Around 10% of workers in New Zealand work in temporary or casual conditions.⁷ The hospitality sector has a higher-than-average proportion of casual workers, at least 14%.⁸ If ACC uses the same legal tests as the judicial system to determine whether a casual

⁷ Fletcher, M. & Rasmussen, E. (2020). 'Commentary: Labour market change and employee protection in light of the 'Future of Work' debate.' *New Zealand Journal of Employment Relations*, 44(3): 32-44.

⁸ Williamson D., Rasmussen E. & Palao C. (2022). *Voices From the Front Line*. AUT University School of Hospitality and Tourism, Faculty of Business, Economics & Law.

employee should be entitled to benefit from the Scheme, truly casual employees will not benefit. Given that an expressed objective of the Scheme is to provide economic certainty, it would appear counterintuitive to penalise casual employees by deducting from their wages to fund a scheme which they receive no benefits from. This leaves casual employees in a less stable and financially independent position than they would otherwise be in. These are workers who are already vulnerable due to the inherent uncertainty of future work and tend to earn less per hour than other workers. **The Scheme, including levy payments, should operate on a voluntary opt-in basis for all workers, including casual employees. To ensure that the Scheme does not leave vulnerable workers worse off, the Scheme should also include a levy-free threshold set at a liveable income calculation (to be continually re-adjusted as the living wage calculation changes).**

- b. We do not expect employers to voluntarily provide any supporting evidence whatsoever in relation to Scheme applications by casual employees, as there is no benefit to the employer to do so. To the contrary, they would be committing to payments of 80% pay for four weeks, in circumstances where they would likely consider themselves to not be obligated to pay any contractual notice at all. **The Scheme should create an offence for an employer who fails to provide all necessary information to ACC within a timely manner in relation to any person who makes an application.**
- c. Even if a casual employee qualifies under the Scheme in terms of the nature of their employment, we firmly believe that many employers will be unwilling to voluntarily provide the necessary information to ACC to confirm the presence of a reasonable expectation of future income. Even if the provision of information to ACC is carried out on a without prejudice basis, employers are not going to risk the consequences for potential litigation, knowing that the affected employee would be entitled to access the information provided and would be able to use their knowledge of this information, however indirectly, in relation to litigation (e.g.: to discredit an employer through cross-examination). RBHU also considers it unfair for the Scheme to introduce the “reasonable expectation of future income” test as an additional requirement for casual workers only. If the Scheme is to require casual workers to establish a pattern of work, this should be more than sufficient to trigger an employee’s entitlements under the Scheme. **In addition to creating an offence for employers who fail to provide necessary information (see**

above), the Scheme should remove the requirement for applications by casual workers to establish a reasonable expectation of future income.

26. **Migrant workers.** The Scheme as proposed expressly rules out any access to income insurance benefits for any workers who are neither New Zealand citizens nor New Zealand residents. Migrant workers who are eligible to work in New Zealand on working holiday visas, international student visas, and other temporary visas would be excluded from the Scheme. Hospitality workers have told RBHU that they do not support this exclusion.

- a. RBHU estimates that migrant workers make up a significant proportion of the employees in New Zealand's hospitality sector. Approximately 48% of hospitality workers in New Zealand do not identify as New Zealanders.⁹ While further research is needed to confirm the number of migrant hospitality workers in New Zealand, this figure gives us a helpful indication of the potential proportion of hospitality workers on visas.
- b. RBHU and its Members consider that the Scheme is unfair on the grounds that it prevents migrant workers from accessing the benefits of the Scheme. This unfairness is exacerbated by the fact that migrant workers would be required to contribute financially to the Scheme by way of compulsory levy payments deducted from their income. While receiving no benefit from the Scheme, migrant workers would suffer overall due to the negative impact on their income from levy payments.
- c. RBHU notes that migrant workers can often be more vulnerable in their employment due to a lack of knowledge about New Zealand employment law, a greater disconnect between migrant workers and the mechanisms available to enforce their rights, fewer connections with their communities, severely reduced access to other forms of welfare support in New Zealand, and existing cultural norms whereby migrant workers are more likely to be subjected to exploitation and modern slavery. For these reasons, we expect that migrant workers are vastly more likely to suffer from employment-related economic shock than most other individuals working in New Zealand. If the objective of the Scheme is to protect workers from the consequences of economic shock after employment ends, the Scheme should enhance the safeguards for the most vulnerable, by offering to include migrant workers in the Scheme. **The Scheme, including levy payments, should operate on a voluntary opt-in basis for all workers, regardless of their visa status. To ensure that**

⁹ Williamson D., Rasmussen E. & Palao C. (2022). Voices From the Front Line. AUT University School of Hospitality and Tourism, Faculty of Business, Economics & Law.

the Scheme does not leave vulnerable workers worse off, the Scheme should also include a levy-free threshold set at a liveable income calculation (to be continually re-adjusted as the living wage calculation changes).

- d. As an alternative, if migrant workers are not able to benefit from the Scheme, RBHU considers that migrant workers should be excluded from the compulsory levy payments.** The discussion document for the Scheme notes that excluding temporary visa holders from the levy payments would reduce the cost to employers of hiring migrant workers. RBHU acknowledges that a scheme which either excludes some types of workers from levy payments or operates on an opt-in basis would mean that employer contributions into the Scheme would not be required across the board for all workers. However, RBHU does not expect that workers who are excluded from payments or refuse to opt-in to a voluntary scheme would be more attractive to employers. The benefits to an employer of being able to hire a worker without making contributions into the Scheme would be negligible at best. An appropriate comparison would be KiwiSaver. RBHU notes that the extent of an employer's contributions to KiwiSaver are highly unlikely to influence the employment decisions which an employer makes, particularly since an employee's decisions for opting into KiwiSaver are commonly made after a job offer has been made. A similar approach could be adopted for a voluntary opt-in income insurance scheme.
- e. As an alternative, at an absolute minimum, the Scheme must be expanded to include temporary work visa holders on open work visas (including Migrant Exploitation Protection Work Visas).** The discussion document provides no rationale whatsoever for refusing to extend the Scheme to these workers. There is no principled basis for this refusal. Migrant workers on open work visas generally remain eligible to work in New Zealand after an employment relationship ends and are likely have valuable skills appropriate for the New Zealand job market (since they were able to attain a visa in the first place).

27. Obligations on applicants. RBHU has concerns around the obligations on employees to apply for the Scheme and provide supportive evidence.

- a.** For the Scheme to operate as successfully as possible, all eligible employees should be able to access the benefits of the Scheme, whether or not they have submitted an application to ACC. This ensures that the Scheme is more equitable, removing barriers for workers who are not aware of their rights under the Scheme or are less fluent in English

and may struggle with an application. **Instead of requiring employees to apply for income insurance, RBHU recommends employers should be required to notify ACC of all dismissals, providing a letter of termination. ACC would then contact the employee to confirm whether they are eligible for income insurance and/or whether they would like to access this. ACC could also notify the Labour Inspectorate of blatantly unlawful dismissals.** This would be a light administrative burden on employers who already comply with the law, while ensuring greater accountability for employers who fail to adhere to the law by reducing the number of instances where employees are “fired at will” with no paperwork and no lawful basis (RBHU understands that this is a fairly common practice in the hospitality sector).

- b. Annex 4 of the discussion document sets out that the Scheme as proposed requires all applicants who are not permanent employees with a single employer to provide pay slips as proof of either a loss of income or a pattern of work. RBHU considers that it is not appropriate to place this burden on employees. Our experience in advocating for hospitality workers tells us that many hospitality workers are not provided with regular pay slips by their employers. By contrast, employers have greater administrative resources and are ultimately responsible for the provision and retention of pay slips. **RBHU recommends that employers should be required to provide any requisite pay slips for the Scheme, which can be provided when they notify ACC of a dismissal.**

28. Levy payment obligations. RBHU is concerned about the impacts of levy deductions from the wages of low-income workers.

- a. Data consistently tells us that hospitality workers in New Zealand are low-income workers. Approximately 18% of hospitality workers earn less than the adult minimum wage.¹⁰ Data used by Careers.govt.nz indicates that bartenders usually earn \$21.00 to \$22.00 per hour.¹¹ Data from the Restaurant Association of New Zealand indicates the average earning rate in the Hospitality industry across the board is \$21.18 and put the average highest earning rate per hour at \$26.30 for the role of head Chef.¹²

¹⁰ Williamson D., Rasmussen E. & Palao C. (2022). Voices From the Front Line. AUT University School of Hospitality and Tourism, Faculty of Business, Economics & Law.

¹¹ Restaurant Association of New Zealand, '2017 Remuneration Survey', 2018; and PayScale, 2018.

¹² Restaurant Association of New Zealand, 2020 Annual Remuneration Survey.

- b. The Scheme as proposed would require a hospitality worker earning \$22.00 gross per hour and working 40 hours per week to pay \$12.23 per week in levy payments. As many hospitality workers are already living paycheck to paycheck, the loss of \$12.23 a week would mean that these workers would be forced to forgo basic necessities such as milk and bread. **RBHU does not support the imposition of compulsory levies on the wages of low-income workers.**
 - c. RBHU supports the introduction of employer contributions to fund the Scheme. **RBHU recommends that the Forum go further than its proposal, by requiring employers to pay 100% of the levy.** This approach would put New Zealand in line with other countries such as France and Sweden.
 - d. **In the alternative, if employees are to contribute via levies, employers should be required to pay more than half of the contributions into the Scheme.** This approach would put New Zealand in line with other countries such as Canada, Norway, and the United Kingdom.
 - e. **If employees are to contribute via levies, the Scheme must include a levy-free threshold for employee contributions.** A threshold should be set, so that the levy payments are not deducted from any income earned below a set amount. Rather than \$23,000 per year, as cited in the discussion document, this threshold should be set at an annually reviewed figure which amounts to a liveable income calculation. One option could be to use the “Living Wage” rate issued by the Living Wage Movement Aotearoa New Zealand. Another option would be for the Government to determine a liveable income calculation in consultation with unions and poverty action groups across the country. The basis for any calculation should be to ensure that all New Zealanders are provided with liveable incomes so that everyone in Aotearoa can thrive and live dignified lives.
29. **An income replacement rate of 80% is unlikely to be enough for low-income workers to meet essential expenses.** Some hospitality workers raised concerns with RBHU about the income replacement rate of 80% under the Scheme. One of our members pointed out that the 80% rate would sit below the minimum wage for a number of hospitality workers.
- a. As established above, hospitality workers in New Zealand are low-income workers. Under the Scheme as proposed, low-income workers receiving income under the Scheme would also likely need to rely on additional welfare support from the Ministry of Social Development. However, as the discussion document itself notes, many workers are

ineligible for any additional welfare support. RBHU notes that an objective of the Scheme is to provide necessary economic support to workers who would be excluded from existing welfare benefits. If the Scheme is to achieve this objective, a higher income replacement rate is necessary, at least in relation to low-income workers.

- b. Exclusion from core benefits such as the jobseeker support is common, often due to the 13-week non-entitlement period, an applicant's partner's income, or an applicant's financial savings. Some low-income workers would be ineligible for additional welfare support on one or more these grounds, relying solely on the Scheme to meet their expenses. RBHU is concerned that these low-income workers would struggle to survive on 80% of their prior income.
- c. While the fundamental solution here is to remove the barriers to access for the wider welfare system, the Scheme should also be adjusted to ensure that it meets the economic needs of low-income workers who are reliant on the Scheme. **On this basis, RBHU recommends that an income replacement rate of 100% be adopted under the Scheme, at least in relation to low-income industries.**

Contact details

30. The Working Group and the Forum are encouraged to reach out to RBHU to continue our dialogue around the proposed Scheme. Contact details for RBHU are as follows:

- a. Email: Privacy of natural persons
- b. Phone: Privacy of
- c. Registered Address: 193 Busby Road, Rd 3, Tahawai, 3170, New Zealand

31. Thank you for taking the time to consider our submission.

Ngā mihi,

Chloe Ann-King and Toby Cooper

Toby Cooper, LLB
Secretary / Volunteer Legal Advocate
Raise the Bar Hospitality Union Incorporated

Chloe Ann-King, BVA, PGD (Teaching, secondary) PGC (Human Rights)
Leader / Volunteer Media and Communications Strategist
Raise the Bar Hospitality Union Incorporated
