

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	Shaun Baker
Organisation (if applicable)	
Contact details	Privacy of natural

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. Individuals adults should be expected to anticipate issues, identify the risk and mitigate it by purchasing their own private income insurance. This is not addressing an issue which has no other solution. A compulsory scheme shifts the cost from the 'vulnerable workers' and their employers to everyone. That is not an equitable solution. It is not even a necessary solution. The clear solution to ignorance is to inform people about the existence of income insurance and assist them in determining whether or not to purchase it.

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?*

How would the treaty apply to an income insurance scheme beyond specific (and genuine) consultation with Māori groups?

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

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

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

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?*

Perhaps consideration should be made to whether the employee is offered other work by the same employer, or from another employer before 'displacement' has occurred (where the income is not significantly different to the former role). If an employee is offered work elsewhere, by their employer, be it in the same organisation or otherwise, the employee should not be able to decline it and still be eligible for redundancy payments under this scheme.

7 *Do you agree with excluding poor performance and gross misconduct as reasons for claiming insurance?*

Obviously. Absolutely. Any loss of employment arising out of anything other than redundancy should be excluded. So, any dismissal, not just for 'gross' misconduct.

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

Yes.

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?*

Depends how you define 'non-standard workers'. The Consultation document doesn't appear to define it. If it refers to part-time workers then yes, with necessary alterations to entitlements. I would suggest that the maximum payable should be proportionately less.

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

Yes

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

Yes

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?*

No. Not at the same rate. As the paper identifies, these are higher-risk groups. The tax (when imposed) should be adjusted to reflect the risk that the worker is displaced. Moreover, the seasonal worker is not going to contribute to the scheme to the point where their contributions will outweigh the liabilities incurred on the scheme.

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?*

No. That does not meet the proposed definition of 'displacement'. Not renewing a contract is not the same as an 'involuntary loss of work due to the disestablishment of a job'. The end of the contract is agreed to by the worker. The job is not disestablished, the required work was completed the employment has ended as agreed. The notion that a seasonal worker whose contract has ended is entitled to a redundancy pay-out is better described as an unemployment benefit – this scheme is not, according to MBIE, intended to be that.

As the paper identifies, these are higher-risk groups. The 'levy' (when imposed) should be adjusted to reflect the risk that the worker is displaced. Other parts of the paper claim that the flat levy is proposed because a risk-based 'levy' would be too expensive to administer. I doubt that. Insurance companies manage it fine and continue to generate profits; there would already be established tools to conduct risk-based assessments.

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. Again the casual employee will unfairly benefit from the scheme without contributing to it. They are likely to be net-takers from the scheme.

17

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

No comment.

Coverage for self-employed workers

18

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

Ease of fraud in that the self-employed person can disestablish their own position and claim redundancy. High risk of exposing the scheme to liabilities. Moreover, by definition a self-employed person cannot be made redundant. Self-employed people should not be covered, nor should they pay the tax towards this scheme.

There is also a risk that the self-employed person hides their income through a company. If they were to be covered, significant access to personal information should be granted by the self-employed person to enable investigations to exclude the possibility that income is being hidden through companies or otherwise.

19

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

20

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

Unsure. I believe there is a legal test for triangular employment. Perhaps that can be used by analogy? If that test is met, then the contractor is an employee.

21

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

This highlights the unsuitability of an income insurance regime for self-employed people. They should not be covered.

22

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

Assuming their declared income is accurate, it can form part of the income tax taken, and enforced, by IRD.

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?*

No. If it were to be made compulsory, then a far longer period of contribution ought to be set, one which better equalises the contributions with the payments.

Limits on subsequent claims

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

Yes. Once in a 5- or ten-year period, if it is a compulsory flat tax scheme.

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

Yes. At least 18 months. More like 6 months in a 5-year period.

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

Yes. Obviously with a variable rate. A flat rate is a simple idea easy to manage that works gross inequities. A variable rate which considers risk factors associated with the individual (and the nature of their employment) is more equitable and addresses financial risks. Insurance companies do it and still make excellent and consistent profit. If it is political contentious, the solution for MBIE (assuming MBIE administers this tax scheme – which it should) is to adopt the risk assessments made by the insurance industry. Risk assessment set by the insurance industry should ensure the risk assessment is as apolitical as possible.

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. Absolutely. Conversely, foreign workers should not have to pay this tax.

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’m surprised MBIE has even recognised (or been permitted to recognise) the effect of migrant labour on the domestic labour market.

No. if they are not entitled to it (and they shouldn’t be) it is inequitable to require them to contribute. The clearer solution is to enforce the payment from the employer regardless.

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. As with ACC payments, it incentivises obtaining employment.

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)?*

If you truly will not apply the tax on income over that Cap, then yes. If not, then no.

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?*

Yes

32 *Do you agree that income insurance should have individualised entitlement, meaning a partner’s income would not affect the rate payable?*

Yes. For God’s sake yes. My PIR is not affected by my partner’s why should the insurance entitlement be? This is purportedly not an unemployment benefit for which the user has (directly) contributed nothing.

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. Up to the difference between what is covered and what is not.

34

Do you agree that insurance should abate 'dollar for dollar' when earned income and insurance combined reach 100 percent of previous income?

Yes. And the difference credited to the member for future tax payments to provide further incentive to resume employment.

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?

If it is treated as such for private income insurance payments then yes.

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. This compulsory tax will be paid by them if they are working.

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?

No, if you mean the period of entitlement. And no, if you mean eligibility is limited for x period after the member receives their superannuation or Veteran's pension. It is not being coined as a benefit, but an insurance scheme. These questions suggest it is viewed as akin to a benefit.

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?

No. Again it is not a benefit, it is an entitlement when redundancy conditions are met. It should be treated as an entitlement at that point without further conditions.

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?*

Not without a check to ensure that it is truly unrelated.

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?*

No, the bridging period should be covered by the Scheme if all employers will be taxed to support it.

42 *Would you support a longer or shorter length of base insurance entitlement?*

Not a longer period. 6 months appears appropriate.

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?*

No. If the member is unemployed, 6 months should be sufficient for retraining.

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?*

I'm unsure what is realistic to expect from employers. I doubt that such a notice period reflects the reality that a firm which fails may not be able to provide that notice period. I think flexibility on the part of the employer is required. Any compulsory notice should be caveated with 'where reasonably practicable' or something similar.

Avoiding unnecessary redundancies

45 *Do you agree that employers should pay former workers for the initial period of unemployment for four weeks?*

No. The employer is already going to be compelled by you to pay into this scheme. Redundancy payments should be left to the market.

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?*

Yes. If the tax is compulsory.

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

Compared to what? What is the baseline measure? But yes, stringent measures should be imposed to reduce fraudulent claims and recover costs. Employers are already required to keep accurate records, arguably that will provide a good basic test for claimants.

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?*

If health and disability will be covered then again, the tax should be tailored to the risk. So, no.

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)?*

No.

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?*

If the tax is compulsory, yes.

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?*

No, whatever the loss in capacity should be covered if the tax is compulsory – which no doubt it will be.

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?*

No. It should be a health practitioner provided by the scheme (on the basis that the health practitioner is therefore more objective). If the member disagrees with the findings they can then pay for their own and go through the disputes process.

54 *Do you agree that, where appropriate, employers could provide supporting information to inform the claimant's work capacity assessment process?*

No. That is the role of the scheme's authority. Enough has been shifted onto the employer as it is.

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)?*

Yes.

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

Tax rebate where an employer retains an individual or otherwise assists the employee to return to work.

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?*

No. Employers are not charities. It is unreasonable to expect an employer to adsorb the cost of an employee but not gain the benefit from that employee. The employer should be free to hire a temporary replacement.

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

Neither.

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?*

No.

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 it is a compulsory tax – yes. If it is voluntary, no.

61 *Do you agree that claimants would not be expected or required to accept offers of employment that provide lower wages or conditions?*

Yes, where the job is out of the member’s profession or trade or pays less than 90% (as an example) of the lost employment.

62 *Do you agree the insurer could waive obligations partially or fully where a claimant is unable to meet those obligations?*

No. Undoubtedly allowing the government regulatory body this discretion will result in inequitable enforcement of obligations.

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

If it is a compulsory tax, no. The individual should be free to travel wherever they wish.

64

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

There should not be a restriction on travel. It is coined as an 'income insurance scheme' not a benefit.

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?

If it is voluntary, no. If it is compulsory tax scheme, yes.

66

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

If it is voluntary, no. If it is compulsory tax scheme, yes.

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?

It is an income insurance scheme. Why is there a clear intention to impose obligations on claimants as if it were a welfare payment?

68

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

There shouldn't be caveats on an entitlement. It is not a benefit scheme... supposedly.

69

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

As above.

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?*

The general area is so closely related to the other areas that MBIE administer, it is best placed with MBIE.

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?*

Statutory representation from each professional or trade area on a Board.

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

I would imagine statutory Board representation would be an option.

Displaced workers: Getting back to good jobs

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

I believe MSD already provides that service. The scheme should not assume costs to provide such service beyond a reference to MSD.

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

MSD.

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

No one. That is not the point of an income insurance scheme. That support is already provided for by MSD.

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

Whatever is provided by MSD.

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?*

ACC likely already provides that.

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

ACC.

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

ACC determination.

Dispute resolution

81 *Do you agree with the proposed four-step dispute resolution process for the scheme?*

No. If it reaches the point of litigation, the ERA should hear the dispute first, then appeals to the Employment Court, then the High Court and so on. ERA, while expensive, should provide a cheaper alternative to a District Court equivalent claim and offer specialised knowledge of the Members to assess the claim.

82 *Are there specific aspects to the scheme's dispute resolution you think should be considered?*

Consider the ERA as the first option to resolve disputes through litigation. The Members are already experienced in redundancy law, and the Employment Court is the natural next point for appeals.

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?*

Yes. As with fraud generally.

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?*

Depends on the specific information to be shared. Broadly, yes. It should assist in the identification of fraudulent claims.

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?*

Neither. The decision has clearly already been made that it will be compulsory. It should be an opt-in scheme. Of course, it won't be an opt-in scheme because the flat rate scheme will depend on the tax generated from the majority who will never use the scheme. Rather than the risk being appropriately paid for by the user, the clear intent is to share the cost of their risk with everyone.

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?*

Absolutely not. Redundancy clauses are something paid for by the employer, typically. It is no wonder 'Business NZ' supports it – it shifts the cost to employees and lowers firms' liabilities. If it were to be compulsory the overwhelming majority of it should be borne by the employer, and even then, not at a flat rate, but a risk-based rate.

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

There should not be a tax for this at all. Individuals who pause to think beyond the next day are perfectly capable of identifying the risk and purchasing private insurance.

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?*

No. This is a farse. A flat rate is completely inequitable (if 'equity' is fairness). It shifts the cost of the risk to everyone. When, as the Forum no doubt identified, the vast majority of those who will be compelled to pay the tax will never use the scheme. If it is to be compulsory (which it no doubt will as the decision has already been made), it should be, in the interests of equity, risk-based.

The 'vulnerable' class of workers are capable of purchasing their own income insurance. This scheme isn't addressing a problem for which this is the only (or even the best) solution. It is clearly addressing the fact that the 'vulnerable' worker is not likely to purchase private income insurance despite the clear risk.

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

For one, it shouldn't be a compulsory tax.

It should be a risk-based, opt-in scheme. If insurance companies are capable of conducting risk-based insurance services *and achieve consistent profits*, I do not accept that risk-based rates were discarded as an option because of the 'administrative costs'. If MBIE has no idea how to determine that, there are a range of insurance companies that will ironically probably make a few people redundant as a result of this scheme. MBIE can benefit from that knowledge and hire the former insurance company workers to administer this scheme.

The tax-free threshold of \$23,000 identifies the additional increase in flat rate requirement as a result. This reflects the fact that the scheme will in all likelihood benefit low-income users almost

exclusively. A scheme with this design is an 'income insurance scheme' in name only – it is another benefit paid for by everyone, paid to a few.

90

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

No. The only other aspect of this decision I disagree with more is the compulsory taxation.

Risk-based assessments works in the private sector. It is equitable. It is profitable.

The 'rationale' asserted for a 50:50 split between the employer and employee is ridiculous. The rationale is an assertion, not a rationale for the design. It does not 'clearly show' both can be expected to 'benefit from' the scheme. That is a claim, not a rationale.

References to the ACC adoption of a flat tax for earners is likewise not a rationale for adopting the same in this instance. The same flaws arise. The flat rate in ACC does not create disincentives for high-risk behaviour and shifts the costs from the high-risk individual to everyone. It is an inequitable system.

The disadvantages of a risk-based system are, again, assertions. Where is the research? None of the asserted disadvantages appears to me to, even cumulatively, suggest that a flat rate is better.

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?

Generally, yes.

92

Do you favour a Pay As You Go or Save As You Go funding approach?

The general scheme as proposed seems to be the best middle ground.

That said, if 'SAVGO' is identified as creating an issue with intergenerational costs, and so that is seen as an undesirable characteristic of it, why then is transferring the cost to other workers in low-risk employment not?

Building in scheme adaptability, while protecting levy sustainability

93

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?

If it means the majority who will have contributed for years without any benefit can gain access to the tax taken from them, yes.

94

Does such flexibility create risks that require additional mitigations?

Clearly, it would create liabilities the scheme may not be able to meet. The assumption is that the 'Crown' will absorb the costs. I think that is aspirational and perhaps naive. In such a crisis, the Government of the day may not wish to or have the available funds to meet those costs.

Other comments

I strongly disagree with yet another compulsory tax which shifts the cost that should be borne by individual users to everyone. Those who wish not to should not be made to cover those in precarious employment, on the basis that an individual is free to purchase income insurance. Those in precarious employment ought to be expected to pay for their own insurance. A compulsory levy is a tax on the higher, generally professional and skilled workers, to subsidise generally un-skilled workers for insurance they can obtain privately, but don't. There is nothing in the consultation document which suggests there would be any benefit for someone who is never made redundant which is a substantial proportion of the workforce.

The cap is also insufficient to cover higher earners, effectively forcing those in that position to still take out private income insurance despite this scheme. The compulsory tax idea seems paternal. Like kiwisaver, it should be a non-compulsory 'opt-out' scheme. If there are funding issues as a result then clearly the user-pay model needs to adjust the percent taken from those who want that cover. I do not accept the assertion that the administrative costs would be excessive or otherwise justify a flat tax rate. Were that the case the insurance industry would not conduct a risks-based assessment for providing individual cover. That the proposal suggests a flat tax rate as the preferred option suggests an ulterior motivation. It is obviously the intent of this scheme to cover the costs of the 'vulnerable' workers' frequent claims by off-setting the fact the majority of the tax contributors will never use this scheme. That is closer to another benefit for low-income workers who lose their jobs than an insurance scheme.

A brief mention is made about GST applying to the tax itself. A tax on top of a tax (which, if this is compulsory, it is a tax by definition whatever you call it) is ridiculous.

Much is said about equity in the Consultation document. What is equitable about compelling a tax at a set rate, but setting (what looks like) an arbitrary limit on the cover (presumably to limit the new authority's liability)? If you insist, as you will, on imposing another tax on everyone, the equitable thing to do is to have the tax rate insurance scheme individualised to reflect risk, and remove the cover cap. Particularly as, with income tax, the minority of higher income earners (and the middle-income households) will disproportionately contribute to the fund (and in all likelihood be least likely to use it). Moreover, as with insurance risk assessments, the fact that an individual has contributed for, example, 10 years and been in the same profession but never made a claim should be accounted for in the risk assessment for the resultant tax rate. The equitable scheme would see a user who has never been made redundant in 40 years of contribution to this tax scheme pay virtually (if not actually) nothing in his or her 41st year of redundant-free employment.

That the consultation document indicates that a Bill will be introduced this year (2022), suggests to me that the drafting is already occurring or has already been completed by the PCO. Consequently, I believe this consultation is for show only. The scheme will be implemented substantially the same as it is currently proposed: another tax on everyone to the benefit of the few, who could seek their own private income insurance but do not. Were this consultation genuine, given the massive change and the fact that it is proposing another income tax, it would be reasonable to expect a timeline of several years before a draft Bill was even introduced.

I look forward to a change of Government and the repeal of this scheme, saving my partner and I a few thousand dollars a year. Whether it occurs in the next election cycle or the one after that, this benefit scheme will be repealed. It is 'ideas' like this that makes me grateful for a 3-year term of Parliament.