

Submission on A New Zealand Income Insurance Scheme

Your name and organisation

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Organisation (if applicable)	
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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?*

Yes

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?*

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?*

Yes

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

No

Because some employers may make employees redundant on the ground of poor performance and take the revenge of employees being too honest.

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?*

No

If claim is available for complete loss of jobs, then most employers would reduce the hours instead of making employees fully redundant so that they have not to pay one month of bridging pay.

10 *Do you agree that insurance would be payable only where income loss was greater than a minimum threshold, such as a 20 percent loss of total earnings, counting income from all of their jobs?*

Yes

Displacement and non-standard employment – a principle-based approach

11 *Do you agree that it is important to provide income insurance coverage to non-standard workers, where practical?*

Yes

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?

Yes

15

Do you agree that income insurance should cover fixed-term and seasonal employees, where their employment agreements are not renewed, and they can show a regular pattern of work and reasonable expectation of future income?

Yes

Coverage provided for casual employees

16

Do you agree that income insurance should cover casual employees who can show a regular pattern of work with an employer and a reasonable expectation of future income?

yes

17

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

Coverage for self-employed workers

18

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

Self-employed employees are more prone to risk as they do not have stable income. They need income protection insurance more than employees do.

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?

21

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

22

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

On the basis of historical earning.

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?

It should be 90 days over a period of 18 months.

Limits on subsequent claims

24

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

No

25

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

An add-on to be provided. If employees want claims over six months then they pay an add-on premium.

26

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

Coverage for New Zealand citizens and residents

27 Do you agree with limiting coverage of the proposed income insurance scheme to New Zealand citizens and residents?

yes

28 To ensure New Zealand workers are not disadvantaged by lower cost international workers, do you agree that working holiday makers, international students and temporary work visa holders – and their employers – should contribute to the proposed income insurance scheme’s costs?

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

30 Do you agree with a cap on insurable (and leviable) income set at the same rate as the accident compensation scheme (currently \$130,911)?

Yes

Only personal exertion income would abate (reduce) insurance entitlements

31 Do you agree that only the insurance claimant’s personal exertion income should affect their insurance entitlements?

Yes

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

Yes

Abatement rates would ensure a claimant is not financially better off as a result of their loss of work

33 Do you agree that someone should be able to earn some income from paid employment before it affects their entitlements to income insurance?

Yes

34

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

Yes

Insurance would generally be treated as income, to determine eligibility for welfare and student support

35

Do you agree that insurance should be treated as income for assessing eligibility for income support such as main benefits and Working for Families tax credits and student support?

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

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

Where eligible, insurance claimants could choose whether to access Paid Parental Leave or income insurance and may receive both sequentially

39

Do you agree that income insurance and Paid Parental Leave could be accessed sequentially but not at the same time?

Yes

Insurance claimants could also receive ACC weekly compensation where it covers a different income loss

40 *Do you agree that claimants should be able receive both ACC weekly compensation and income insurance at the same time for differing income loss subject to independently meeting the eligibility criteria for both?*

Yes

Because employees pay both ACC levy and an Income Protection levy.

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?*

Base insurance entitlement for work displacement (redundancy) may be increased with extra insurance premium/levy. Standard employee's contribution for six month, time and half contribution for 9 months entitlement and double contribution for 12 months entitlement.

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

Support longer length with extra levy/contribution.

Extending the maximum period in specified circumstances

43 *Do you think the scheme should allow extensions to the base period of income insurance entitlements for training or vocational rehabilitation?*

Yes

Enhancing the income insurance scheme with notice periods

44 *Do you agree that employers should give at least four weeks' notice to employees, and the insurer, before redundancy takes effect?*

Yes

Employees should not be asked to work during notice period.

Avoiding unnecessary redundancies

45

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

46

Should bridging payments be applied to all workers, including those not eligible for income insurance?

Yes

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?

No

48

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

yes

Chapter 8 – Coverage and entitlements for loss of work due to health conditions or disabilities (Pg 96-112)

No restrictions on the types of conditions covered by the income insurance scheme

49

Do you agree there should be no restrictions on the types of conditions covered by the scheme?

yes

No restrictions on the working arrangements covered by the scheme

50

Do you agree that all work arrangements should be covered (assuming other eligibility criteria are met)?

Yes

Coverage for loss of at least 50 percent of capacity to work, for at least four weeks

51 *Should the scheme cover partial loss of earnings due to a health condition or disability reducing work capacity?*

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?*

At least 33% reduction of capacity as this is very subjective.

Claimants' medical practitioners would assess work capacity, with final eligibility assessed by the scheme administrator

53 *Do you agree that the claimants' health practitioner should be main the assessor of work capacity?*

Yes

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

No, employers may have prejudice for workers.

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)?*

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

Yes

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

Yes

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?*

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?*

Yes

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

Yes

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

yes

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

No

64

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

With a flexibility to travel to Australia to find job for six months and 30 days for rest of world for attending wedding, funeral, medical treatment etc.

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?

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?

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?

Yes

68

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

Yes

69

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

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?*

Yes

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

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?*

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

Displaced workers: Getting back to good jobs

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

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

Work and Income

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

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

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?

79

Who should provide that support to return to work?

Work and Income

80

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

Dispute resolution

81

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

82

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

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

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?

Yes

Chapter 11 – Funding income insurance (Pg 135-144)

Most funding would come from compulsory levy payments on income

85 *Do you agree the income insurance scheme should be funded from compulsory levies on the income that is insured, rather than from general taxation?*

Yes

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?*

Yes

Employees to pay extra if they want income protection exceeding six months for job displacement.

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

No

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?*

Yes

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

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

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?*

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

Pay as you go

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?

Yes, additional premium for additional cover over six months.

94 Does such flexibility create risks that require additional mitigations?

No

Other comments

Many employers will try to make employees redundant before Income Protection Scheme is introduced so that employers would not have to pay bridging one month (4 weeks). Some employers may require employees to work during one month notice period so that there is no cost for one month bridging payment. To avoid this happening, the Income Protection Scheme to be back dated for the week notice period/ bridging Payment.

To avoid one month bridging pay, employers may reduce 50% hours of two employees instead of make one employee redundant. So proportional claim to be awarded to those employees whose hours are reduced.

It should be enacted that those who have redundancy clause in the individual agreements, cannot be forced to remove the redundancy clause as employers may try to offset the cost of the new income protection from the existing redundancy clause in the individual employment contract.

Employees to pay extra if they want income protection for period exceeding six months for job displacement.

Add on: Base insurance entitlement for work displacement (redundancy) may be increased with extra insurance contribution/levy by employees. Standard employee's contribution for six month, time and half contribution for 9 months entitlement and double contribution for 12 months entitlement.

To avoid one month bridging pay, employers may reduce 50% hours of two employees instead of make one employee redundant. So proportional claim to be awarded to those employees whose hours are reduced.

