

Submission of Toitū te Waiora to the Ministry of Business, Innovation and Employment on the Proposal for a New Zealand Social Insurance Scheme

E ngā mana, e ngā reo e ngā karangaranga rau rangatira mā, tēnā koutou, tēnā tātou katoa.

Toitū te Waiora is the Community, Health, Education and Social Services Workforce Development Council (“Toitū te Waiora”) established as part of the recent Review of Vocational Education reforms (ROVE). We formally came into existence in October 2021.

Toitū te Waiora represents industries including Care Services, Disability Services, Education and Educational Support Services, Funeral Services, Health Services, Public Order Safety, Regulatory Services, Skin and Nail Therapy Services, Social Services, Urban Pest Control, emergency services and other sectors within our industry coverage.

Toitū te Waiora - is about protecting and preserving health and wellbeing now and in the future.

‘Toitū’ is often referred as the elevated kōrero and thinking in relation to our health and wellbeing:

Toitū Te Oranga Wairua - Spiritual

Toitū Te Mauri Ora - Life principle

Toitū Te Waiora - Uplifting Health and Wellbeing

The role of Workforce Development Councils (WDCs) is to ensure the vocational education system meets industry needs and gives a stronger voice to Māori business and iwi development. In accordance with our Orders in Council (OIC)¹, we aim give our industries, unions and employers greater leadership and influence across vocational education.

We work with industry, unions, and employers to understand the skills that are needed and pass this on to education, training, and employer-based providers, who create and deliver learning programmes. We also endorse vocational education programmes prior to them being approved by NZQA.

We lead the development of industry qualifications, set industry standards and assess training provision against these industry standards. Where appropriate, we will set and help with capstone assessments at the end of a qualification.

Introduction

Toitū te Waiora supports the development of the NZ Income Insurance Scheme (NZIIS), particularly in the interface between the scheme and vocational education and training. We consider that there

¹ Orders in Council (OIC) retrieved from [Education \(Community, Health, Education, and Social Services Workforce Development Council\) Order 2021 \(LI 2021/100\) Contents – New Zealand Legislation](#)

could be a robust synergy between the NZIS and the ROVE reforms. Our submission will address the opportunity for workforce development council(s) to tailor qualifications to meet the needs of displaced workers and those who suffer loss of employment due to health conditions or disabilities who would benefit from retraining or upskilling while being supported by the NZIS. It is envisaged that the scheme will evolve over time to develop the potential to consider strong linkages with the vocational education and training system.

This short submission addresses the selected questions from the consultation document that we think are most relevant to our areas of expertise. We have addressed most of the questions in the groups listed.

Responses to consultation document questions

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, Toitū te Waiora supports the introduction of an income insurance scheme for displacement and loss of work due to health conditions. We currently have a tight labour market with substantial shortages of skilled workers, but with important communities of underserved learners including Māori, Pasifika, and disabled people. We anticipate that major issues such as climate change, inequality, technological change, and geopolitical and economic developments could leave workers vulnerable in the future.

Motu researchers have looked at the impact of involuntary job loss on workers in New Zealand and concluded that:

Involuntarily displaced workers suffer from several conceptually distinct but causally interrelated harms. Displaced workers lose out on income and economic security, which can induce intense stress and anxiety. They lose access to a community of co-workers, and the social status and self-esteem accorded by their job, which can worsen their mental health. Deteriorating mental health can in turn trigger unhealthy coping mechanisms, which worsen their physical health and increase their mortality risk in the long-term. Finally, on average their long-term economic outcomes never fully recover: they suffer from persistent earnings and employment deficits².

They quoted Hyslop and Townsend (2017, 2019) as showing that in the first year after a displacement event, displaced workers are 20-25% less likely to be employed and receive 30% lower earnings conditional on being employed³. The same authors found that, 5 years after

² Dean Hyslop, Dave Maré, Shakked Noy, and Isabelle Sin, *Involuntary job loss: welfare effects, earnings impacts and policy options*. Motu Working Paper 21-06, April 2021 p.12 https://motu-www.motu.org.nz/wpapers/21_06.pdf

³ Ibid, p. 7

displacement, displaced workers still suffer from an 8-12 percentage point employment deficit and a 14-20% conditional earnings deficit⁴.

An OECD study into New Zealand's performance in this area from 2016 found that while we were reasonably successful at getting displaced workers into new jobs:

... wage losses for re-employed displaced workers reach 12% in the first year after displacement, compared with negligible wage effects in Germany and the United Kingdom and a loss of 6% in the United States and Portugal. While on average these wage losses are offset by redundancy payments in the first year after job loss, the average annual personal income for displaced workers in New Zealand (including government income transfers and redundancy pay) is about 20% lower in the second and third year after displacement than for non-displaced workers with similar characteristics⁵.

In other words, our performance in the area of 'wage scarring' is significantly worse than many other countries in the OECD.

While we see the NZIIS as a positive response to these challenges it will be important for the scheme to be supported by effective and targeted training arrangements for those who find themselves on the scheme once it is established. We note the conclusion of the Motu study that..." there is suggestive evidence that education can dramatically improve the prospects of older displaced workers. A pair of studies by Jacobson et al. (2005a, 2005b) estimate that displaced workers in the US aged 35 or older who chose to enrol in community college education experienced substantial increases in their long-term earnings prospects. These estimates may be confounded by unobserved differences between displaced workers who do or do not choose to pursue education, but they could suggest the returns to education for displaced workers may be high. As a result, education-focused ALMPs [active labour market policies] may have high potential rates of return."⁶

2. How can we ensure the proposed income insurance scheme honours Te Tiriti o Waitangi?

An important first step is to ensure that the enabling legislation uses the same language as s.4 of the Education and Training Act 2020.

The purpose of this Act is to establish and regulate an education system that:

Honours Te Tiriti o Waitangi and supports Māori-Crown relationships.

Further, there needs to be involvement of Māori in their capacity as mana whenua in the remainder of the design and development process. Work also needs to be done to ensure that Māori values such as manaaki tangata and mahi-tahi should be reflected in the design and development of the income insurance scheme.

⁴ Ibid p. 8

⁵ OECD (2017), *Back to Work: New Zealand: Improving the Re-employment Prospects of Displaced Workers*, Back to Work, OECD Publishing, Paris, <https://doi.org/10.1787/9789264264434-en>. P.14

⁶ Hyslop, Maré, Noy, and Sin p.38

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

We support the proposal for Governance of the scheme to include tripartite (government, union and employer) and Māori representation. It will be important to ensure that the NZIIS has capacity and capability in Te Ao Māori at both governance and operational level and incorporate Tikanga Māori lore.

There are also a range of Māori, and Iwi led organisations who will have the capacity to manage, coordinate and deliver support for claimants as partners with the NZIIS.

6. *Do you agree with defining displacement as the involuntary loss of work due to the disestablishment of a job?*

We do support defining displacement as the involuntary loss of work due to the disestablishment of a job, but we are uncertain about how the scheme might apply to situations such as the Covid 19 pandemic, emergencies and natural events such as earthquakes. If a worker suffers temporary loss of a job because of one of these events then they need support and temporary financial support to workers who find themselves in that situation would be appropriate.

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

The consultation document proposes an extension of the base period for training or vocational rehabilitation for up to a maximum of 12 months, provided the appropriate services and programmes are available and in place to satisfy the following criteria:

- early identification of training or vocational rehabilitation needs
- a clear link between training and labour market demand
- vocational rehabilitation programmes or services support recovery, and a return to work (where a return to work is appropriate)
- provision through approved providers only
- a requirement that claimants report on their progress.

We strongly support this proposal but note that considerable work needs to be done in order to ensure that claimants receive the support they need and that the appropriate training exists. We address these issues later in our answers to questions 74 -77.

It is also worth noting that the scheme needs to be connected to other options that might exist for taura, ākonga, apprenticeships, cadetships and scholarship on-the-job training and employment. This would allow for a seamless transition from NZIIS to training and support and possibly enabling claimants to leave the scheme before the 12 months maximum is required.

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

We agree there should be no restrictions on the types of conditions covered by the scheme. We have a particular concern to ensure that workers experiencing mental health issues are covered by the NZIIS.

We note that ACC provides cover for workers with mental health conditions in the following circumstances:

- Mental health caused by physical injury,
- Work-related mental injury
- Mental injury caused by treatment injury
- Mental injury related to sensitive claims. For a client to receive cover and entitlements, the mental injury must be significantly linked to specific sexual offences described in the Crimes Act 1961.

There are a significant number of mental health conditions that cannot be related back to the circumstances above and these must all be covered by the NZIIS. It is equally important that workers with mental health conditions are covered by the appropriate scheme, so that workers who are eligible for ACC support are not misallocated to the NZIIS.

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?

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?

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

Toitū te Waiora is committed to the health and wellbeing of all workers and supports initiatives that enable those with health conditions and disabilities return to work in a well-supported way. Under the New Zealand Human Rights Act 1993, an employer has to take reasonable measures (provide services and facilities where this is reasonable) to meet an employee's needs.

We note that given these existing provisions it is not proposed that any additional obligations be placed on employers to make reasonable changes to support work retention, although:

- The Government is also progressing work on a proposal for accessibility legislation that could introduce new measures and standards for accessibility, including in the workplace.
- Where possible, employers will be expected to redeploy claimants to support work retention
- As part of employers making reasonable accommodations to support workers returning to work, it is proposed that the scheme allow for a graded return to work, but employer participation would be voluntary.

We support the introduction of accessibility legislation and do not propose any changes to what the Forum is proposing. However, we urge that the required support for employers across these areas is provided for in the legislation.

The NZIIS should work with appropriately qualified providers (including Kaupapa Māori providers) to provide advice and support for employers, employees, trainees, and scholarship in order to properly help administer return-to-work processes after experiencing health conditions and disabilities.

The introduction of this Social Insurance Scheme, will require the body administering NZIIS to work closely with employers to ensure the scheme is understood and operationalised sufficiently. There may also be strategies to support employers in relation to their business, management of employees and navigating any challenges (much like what we have experienced in the COVID 19 Pandemic).

Employer wellbeing programmes, employee assistance programmes and sponsored initiatives are key to helping employees with various health and wellbeing issues. However, this may not be possible for smaller organisations, so having access to a directory of available health and wellbeing resources their employees can access or enrol in would also be helpful.

It depends on the nature and extent of the health condition or disability – including how long the employee will be away from work – and what the role requires. Appropriate medical, spiritual and Kaupapa Māori advice will be helpful to inform the best decision for the employee and employer.

60. Do you agree claimants should be obligated to look for work or prepare to return to work while receiving insurance?

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

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

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

We do agree that claimants should be obligated to look for work or prepare to return to work while receiving insurance, but our expectation is that claimants would be supported and encouraged through skilled and culturally appropriate active case management to participate in these activities to try and ensure buy in. Care will have to be taken to ensure that the scheme remains supportive for claimants and does not spill over into a punitive regime. We support giving the scheme the ability to waive those obligations and making it an obligation for claimants to remain in New Zealand to remain eligible for income insurance (with the 28 days caveat).

65. Should claimants with health conditions or disabilities be subject to obligations to participate in rehabilitative programmes and other support, where appropriate?

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

Claimants with health conditions or disabilities should be subject to obligations to participate in rehabilitative programmes and other support, where appropriate, given the objectives of the scheme are a return to work or an entry into vocational education to upskilled.

However, the use of obligations with this group is particularly tricky and needs to be managed carefully to ensure that vulnerable claimants are not subjected to unnecessary stress and pressure.

As in our answer to the previous set of questions, our preference is that these workers should be supported and encouraged through skilled and culturally appropriate active case management to participate in these activities to try and ensure buy in. Case managers and others need to take great care here.

Having said that, the obligations for this group of claimants seems appropriate and we support the possibility of extending the time a claimant with a health condition or disability can stay on the scheme. From our reading of the document most of the obligations will kick in around the point that the claimants time on the scheme is extended.

We note that in the early days of the scheme the kind of supports that are referred to in the consultation document are unlikely to be in place and we would expect that to be reflected in the approach taken by case managers.

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

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

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?

This section of the consultation document is of most relevance to Toitū te Waiora, given our role in the vocational education and training system. It will be important that the NZIIS and the VET system are well integrated around the provision of return-to-work training, reskilling and upskilling.

If a suitable job is not available for a claimant, then we recommend that the scheme is empowered to enable such claimants to participate in training whilst they are receiving an insurance payment. This would help employees cover their living expenses whilst they are training and without a regular pay cheque.

We are aware that much of the training provided to claimants by ACC as part of their rehabilitation programmes is limited and does not really equip them to forge new careers. Many ACC claimants, when declared to be work ready, find themselves on the jobseeker benefit or in lower paying jobs than the ones they left. For the NZIIS to succeed it needs to ensure that training is relevant, targeted and supports claimants into jobs that enable them to maintain or grow their earning capacity.

It is here that the Workforce Development Councils can play an important role. Our functions will enable us to design qualifications (and micro-credentials) that will build on the transferable skills that most workers have and equip them for new roles.

We have some notable examples in the sectors we service. The Covid 19 pandemic saw significant job loss among workers who had skills that could be considered transferable to the health sector, such as airline cabin crew (e.g., organisation and customer service skills) but there was no mechanism available to enable them to consider these options or routes into appropriate training.

Covid 19 also saw the development of a new health workforce who have been undertaking covid related health roles in such tasks as

- Covid testing
- Covid vaccinating
- Track and tracing
- Supporting whānau in home isolation

This workforce not only includes the testers, vaccinators, and health support workers themselves but also the range of support workers such as administration, logistics, communications, security, emergency service-related personnel and Kaupapa Māori marae-based treatment.

Research is about to be undertaken by the Tāmaki Makaurau Regional Skills Leadership Group to understand:

- What its size of this workforce is in Auckland.
- What training members of the workforce have received for their current position
- What qualifications that members of the workforce already had
- What aspirations these workers have to stay in the health workforce, undertake more training or other health occupations they may now aspire to.

In Tāmaki Makaurau the largest employer of this workforce is probably the Waipareira Trust but similar work is being undertaken by other organisations in the Whānau Ora network in Tāmaki

Makaurau and by Pacific organisations. So we are mostly talking about Māori and Pasifika workers who are underrepresented in higher skilled, higher paid health roles.

Other regions are also noting the existence of this workforce and they of significant interest to Toitū te Waiora. There is a risk that these newly skilled workers will be lost to the health system once the immediate need for their services passes and we don't have good mechanisms in place that support their transition from these roles to other roles in the health system. An income insurance scheme that is integrated into the VET system could fulfil that role.

Return-to-work plans should help the claimants identify the qualifications and transferable skills that they already have, including their cultural competencies, identify possible career options and the targeted training options that will enable them to fulfil this.

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?

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

The best practical support for income insurance claimants with a health condition or disability should be Immediate income support without a wait period, as is common with Ministry of Social Development – income support benefits.

Public facing support, such as call centres for employees need to be simple, helpful and accessible. At most times, Insurance is complex and difficult to understand, any support or services provided with NZIIS will need to be accessible especially to people who may face barriers such as English as a second language, and or those who live in poverty.

There can be a range of strategies for return to work schemes for example:

- Return to work templates, plans or tools for the employer
- Self-help tools for the worker
- Online services to guide employers and workers with planning return to work approaches
- Employer and employee assistance programmes

The NZIIS should work with appropriately qualified providers (including Kaupapa Māori providers) to provide support employers with advice and support so they can properly help workers returning to work after experiencing health conditions and disabilities.

Nō reira, e tūmanako ana ki ngā kaupapa o Toitū te Waiora, e whakaū ana mātou ki te mātauranga mahi me te whakangungu i tō mātou wāhanga. Ko te mea nui, ko te hauora, me te ora o ngā tāngata katoa e tomo ana; e tautoko ana i tō rātou kaha mahi e whakaarotia ana i roto i to tātou tukunga i whāinga pai atu.

In line with Toitū te Waiora objectives, we are committed to vocational education and training in our sector. Importantly, the health, welfare and wellbeing of all people entering and sustaining their employment potential is considered in our submission with favourable intent.

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