

# Submission template

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## 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](mailto: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](mailto:incomeinsurance@mbie.govt.nz).

# Submission on A New Zealand Income Insurance Scheme

## Your name and organisation

Name	Shona Daubé
Organisation (if applicable)	Wellington Multiple Sclerosis Society
Contact details	Privacy of natural persons

## 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, we are fully supportive of the intent of the scheme. We see the inequity already experienced by a person disabled by a chronic health condition as opposed to a person disabled by an accident as a Human Rights Breach

### 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?*

The fact that Maori in NZ on average earn less than a non – Maori, and frequently have a shorter life expectancy should be factored in when assessing eligibility and the 80% of their wage. The ‘postcode poverty’ also needs to be factored. More Maori live in small towns and rural areas where it is known that there are already less medical services and rehabilitation services. Because these services are often not provided in a rural area, the cost of accessing will be higher. This also applies to people with disabilities

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

Maori leaders should be included in both the set –up and the implementation phases. his also applies to people with disabilities

4 *How can we ensure equity of access, participation, and outcomes for Māori in the proposed income insurance scheme? his also applies to people with disabilities*

By avoiding “tokenism” and have true representation from Maori and disabled groups. Disabled groups should be represented by members of each of the 3 disability types :

1. Those born with a disability
2. Those who have acquired a disability through illness
3. Those with a disability acquired by an accident.

People with different causes of disability should not be lumped together. Each group has its distinct needs and challenges

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

By avoiding “tokenism” and have true representation from Maori and disabled groups.

## 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?*

No. Often job restructuring and disestablishment of a role is used to terminate a person’s employment if their health, disability or performance is compromised. It can be used as a way to “get rid” of employees

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

No. Both of these criteria are based on opinion and once again can be used to “get rid” of employee’s whose health or disability is inconveniencing the employer

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

No. During the initial stages of a chronic illness such as MS, the person may be encouraged to resign or feel obligated to, because of the amount of sick leave they are taking, or the disruption to working patterns

### 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. Often people on lower incomes need to hold more than one job to earn enough.

During a period when an illness / disability is developing, extra costs are incurred (extra travel, medicines, supplements, support/therapy) and if that is set against a fixed low income then that lack of income is not going to be addressed.

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?*

*Not qualified to comment on this*

#### 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'?*

No. Unlike an accident that is a one off event, the development of a chronic illness disability occurs over time. In the case of MS, there is no definitive test. A series of symptoms, clinical tests and health outcomes over a period of time are viewed by a Neurologist, who then makes the diagnosis. A persons work habits and hours may have been effected by their poor health for a period of time before the diagnosis is made. Once again with 'Postcode Poverty" affects this also. The lack of Neurologists and MRI machines in areas other than the 4 major centres, means a further delay in getting a diagnosis,

#### 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 except "The Shorter"

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?*

This could be problematic and is discriminatory. A persons work habits and hours may have been effected by their poor health for a period of time before the diagnosis is made and therefore an assessment of recent work habits may not be a true and accurate assessment of someone.

## 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?*

This could be problematic and is discriminatory. A persons work habits and hours may have been effected by their poor health for a period of time before the diagnosis is made and therefore an assessment of recent work habits may not be a true and accurate assessment of someone.

17

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

- . A persons work habits and hours may have been effected by their poor health for a period of time before the diagnosis is made

## Coverage for self-employed workers

18

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

The some covered is there taxable income and should not be based on their spouses income

19

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

*Not qualified to comment on this*

20

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

*Not qualified to comment on this*

21

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

*Not qualified to comment on this*

22

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

*Not qualified to comment on this*

## 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?*

Not qualified to comment on this

#### Limits on subsequent claims

24

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

Not qualified to comment on this

25

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

Not qualified to comment on this

26

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

Not qualified to comment on this

## 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?*

Yes

## 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?*

No. An unwell or temporary disabled person may have more expenses such as medicines and medical fees.

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)?*

*Not qualified to comment on this*

### 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?*

*Not qualified to comment on this*

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

*Not qualified to comment on this*

### 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?*



No

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?*

*Not qualified to comment on this*

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?*

*Not qualified to comment on this*

### **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. Superannuation is not a living wage and people may require additional income if they don't have savings

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?*

No

### 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

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

Longer

### 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

## Avoiding unnecessary redundancies

45

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

Yes

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?*

Yes

48

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

*Not qualified to comment on this*

## 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?*

No

This could be problematic and is discriminatory. A persons work habits and hours may have been effected by their poor health for a period of time before the diagnosis is made and therefore an assessment of a 50% reduction may not be a true and accurate assessment of someone.

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. Unscrupulous employers may use this as a way of getting rid of people with disability or chronic illness

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)?*

*Not qualified to comment on this*

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



Education. Financial assistance with any building or equipment changes necessary

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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?*

*Not qualified to comment on this*

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?*

No. Whilst a person is unwell enough to be able to work, their energy needs to be spent on getting well, not meeting bureaucratic requirements

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

No

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?*

Yes

64

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

Not if they are unwell themselves and unable to work

#### 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?*

“where appropriate” – if the illness is progressive or causes permanent cognitive damage, this should not need to be needing to re – prove this.

66

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

Not while unwell

#### 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?*

Not qualified to comment on this

68

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

Not qualified to comment on this

69

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

Not qualified to comment on this

## 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. ACC has a punitive culture. There are already organisations and people paid to appeal and question some of their decisions. It cannot be assumed they would be any better with administering this scheme

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

Yes

### 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?*

*Not qualified to comment on this*

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

*Not qualified to comment on this*

### Displaced workers: Getting back to good jobs

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

Aids such as voice activated technology. Wheelchair accessibility to building and bathrooms

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

The entity administering the scheme

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

As previously answered

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

As previously answered



## 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?*

As answered previously

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

As answered previously

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

As answered previously

## Dispute resolution

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

*Not qualified to comment on this*

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

*Not qualified to comment on this*

## 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?*

*Not qualified to comment on this*

## 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?*

*Not qualified to comment on this*

## 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?*

*Not qualified to comment on this*

### 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?*

*Not qualified to comment on this*

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

*Not qualified to comment on this*

### 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?*

*Not qualified to comment on this*

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

*Not qualified to comment on this*

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

Yes

### 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?*

*Not qualified to comment on this*

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

## 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

94 *Does such flexibility create risks that require additional mitigations?*

*Not qualified to comment on this*

## Other comments

### Positives of the proposed Scheme for PwMS (People with MS)

- Other than WINZ benefits, there is no appropriate current financial support for people who either must reduce their hours or finish work due to their MS. This will provide better financial support for a number of PwMS
- Reduce inequities between accident-related restraints and illness/disability related constraints
- Support will be available for people to find work and connect them with training or rehabilitation programmes

### Negatives of the proposed Scheme

- The scheme is finite – up to 7 months. MS is lifelong. Those PwMS who have had to reduce hours or give up work are likely to have progressive MS which usually worsens over time.
- After 7 months a PwMS who is not able to work would have to go back on to WINZ benefits – not a living wage, significantly less than the Government Superannuation
- ACC payments can continue for longer than 6 months. The Income Insurance Scheme is not equitable from this perspective
- PwMS with disabilities face ongoing discrimination.

### Additional Concerns

A large number of PwMS will not qualify for this Scheme so will continue to struggle on WINZ benefits.

PwMS who experience 'invisible disabilities' may not qualify or have undue pressure put on them to work. For example those who experience debilitating pain, fatigue, dizziness, cognitive dysfunctions, hearing and vision differences, sensory overload/processing issues.

The proposed scheme seems to have overlooked the main difference between disability as a result of an accident, and disability as a result of illness. Disability as a result of injury is a one-off event, and the level of disability generally remains unchanged. Disability as the result of illness is generally not stable and often progressive.

We do wonder why not more noise is being made on the discrepancy between superannuation and the supported living allowance, and why neither is equivalent to a "living wage". We have clients who have celebrated turning 65 as they will get a significant pay rise moving from 'Supportive living allowance' to Superannuation.

The 8 months of funding available under the proposed policy is, in my view, too short to accommodate the circumstances of many PwMS. A severe relapse or a couple of relapses in a row requiring rehabilitation will easily mean people are on the benefit after 8 months because they are not able to go back to work. Rehabilitation followed by retraining could easily exceed the time allocated by the policy.

There may also be an issue around people not currently employed being unable to access this assistance. An MS relapse is a time when extra costs are incurred (extra travel, medicines, supplements, support/therapy) and if that is set against a fixed low income then that lack of income is not going to be addressed.