



E tū submission to

the Ministry of Business, Innovation & Employment

On

A New Zealand Income Insurance Scheme

April 2022

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Overview

E tū, the largest private-sector union in New Zealand, makes this submission on behalf of its 50,000 members. Our members work in industries including:

- Aviation
- Communications
- Community Support Services
- Engineering, Infrastructure and Extraction
- Manufacturing and Food
- Public & Commercial Services

Around to 4000 E tū members were made redundant from their jobs since the beginning of the Covid-19 pandemic, around 3000 of the members were from the Aviation industry.

Succeeding in supporting and transitioning workers affected by redundancy and health disability or conditions into decent jobs will help create a sustained improvement to the lives of those who participate in the scheme. If designed well the scheme will facilitate a continuous and reinforcing cycle of improvement to both the lives of individuals who partake in the scheme and improve the outcomes in society and our economy as a whole.

E tū strongly support the proposed Income Insurance Scheme. We provide comment on various elements proposed in the discussion document “A New Zealand Income Insurance Scheme – A discussion document” in the following sections.

The submission begins with a section on “Secure Work” emphasises the importance of job security for members of E tū and all workers in Aotearoa and beyond. The second section provides real E tū leaders’ and members’ stories and views on the proposed income insurance scheme. The following sections directly respond to the questions posed in the discussion document.

1. Secure Work

1.1 One of E tū’s four *Decent Work* principles (figure 1) is ‘Secure Work’. Job security is a vital element of our members’ and their whanau wellbeing – when our members (or any worker) are at risk of losing their jobs they are also at risk of losing the ability to sustain the necessities in life – such as their weekly grocery shop, bills and rent or mortgage. Losing a job creates huge stress and has many negative consequences for workers, their whanau, communities as well as our society and economy.



(figure 1)

1.2 Job security is a major determinant of individual well-being – when workers are asked about their preferences in relation to different aspects of work, job security is consistently ranked as the most

important item in almost all countries¹, including New Zealand². The risk of potential unemployment is also found to have a higher impact on life satisfaction than unemployment itself³.

1.3 2021 survey data from Statistics New Zealand found that overall life satisfaction increased with job security. With 46% of workers who had low job security also saying that they did not have enough money, or just enough, to meet their everyday needs. 24% of those with low job security rated their whanau wellbeing poorly and 18% rated their health as fair or poor. These results showed clearly that outcomes were poorer for those who were in insecure work, compared with those who were in secure work⁴.

1.4 We acknowledge and highlight that the introduction of such an income insurance scheme was one of the key recommendations from the OECD in its Economic Survey of New Zealand report for 2022 and that New Zealand is one of the only developed nations to lack such a scheme.

1.5 In a recent survey conducted by E tū with some of our manufacturing members (n = 514), we found that redundancy payments were the most important type of support workers needed to help get them through in a redundancy situation (followed by opportunities to learn new skills for a new job and help with finding a new job in their current industry). We know that this response is consistent with how our members feel about the need for ongoing financial protection and support when losing a job involuntarily.

2. Members' stories and perspectives on the income insurance scheme

E tū is currently holding forums for delegates, which are yearly meetings with hundreds of members who are leaders in their workplaces across all industries represented by E tū and regions of New Zealand. As part of these meetings, we have been talking to our delegates about the proposed income insurance scheme. A large majority of our member leaders strongly support the scheme with few having reservations and questions which we have posed to the committee as part of our submission in the following sections.

When discussing the scheme our member leaders said things like (the proposed scheme) “Takes off a huge burden off workers’ shoulders”, “gives a sense of security”, “tremendous help”, “means the world”, “a great thing for families”, “everyone should be on it”, “it means a heck of a lot”.

¹ Cazes, S., Hijzen, A., & Saint-Martin, A. (2015). Measuring and assessing job quality: the OECD Job Quality Framework

² Amankwah, M., & Boxall, P. (2021). What do New Zealanders value at work and is it changing?. *Asia Pacific Journal of Human Resources*.

³ See reference 1

⁴ <https://www.stats.govt.nz/news/lower-job-security-linked-to-lower-life-satisfaction>

These are E tū member leaders' stories and perspectives on the scheme, most members (and workers in general) have a personal story about a redundancy or health situation, here are a select few:

“Our manufacturing site in Auckland is closing down and 300 jobs will be lost. We were given the option to move to Hamilton instead but most of us are not able to shift and are being made redundant in March of next year. Not too long ago I considered buying income insurance but didn't, you have to be on it for at least two years to have access, it would have given me the time needed to look for work, between six months and a year. The (proposed) income insurance scheme is a safety net, especially in the Covid era, with all the uncertainty. To have this would give us a sense of security.”

- **Thomas Momoisea**, E tū delegate, Aluminium Manufacturing industry

“(the proposed scheme) would have really helped in late 90s, I was laid off from my wharfie job - that scheme would have saved me from selling my house and bugging off overseas; being pissed off with society. Would have changed my whole life if it was implemented. At the time I was able to live on my superannuation luckily.

It's good you can still get it in retirement. This is a fantastic scheme, we have to get behind it. This is for all workers and betterment of our society! These will become minimum entitlement. I think they are wonderful, want to see them through, yesterday.”

- **Jason Fell**, Delegate and Member of the E tū national executive, Public & Commercial sector – gardening and security

“I had a stroke 10 years ago, ended up in rehab, was still working with my employer, they wanted to let me go completely, they didn't think I would recover. I had to use up all of my annual leave and sick leave before I was entitled to anything from WINZ, and was then on the unemployment benefit for three months. It was very difficult, it was hard because I had bills and rent to pay, support the family.

Accidents happen and so do medical situation out of the blue, I support the scheme, it should be there to support of all workers. I find that in New Zealand there is nothing to back a family when one of the caretakers in a household falls ill, there is nothing to lean on unless you have insurance. At the time I had nothing. I strongly support the income insurance scheme.”

- **Maggie**, Home Care/Support industry

“I lost my job suddenly at the start of the pandemic as part of an airline closing their New Zealand base which resulted in about 450 of my colleagues and myself being made redundant within a few weeks. I was very lucky, because I was with my employer for 11.5 years and we had a redundancy clause, most of my pay-out was in annual leave though, which I accumulated by sacrificing time off during my employment. After paying taxes and student loan repayment deductions I didn't end up with a huge amount. I was lucky. For others, the unemployment benefit was only available to those with no money or assets, so there was literally no support, including no COVID support payments as we were unemployed. In a global pandemic, losing a job meant you could potentially not find another. For a lot of our pilots and crew who didn't have redundancy payments it was so rough. People rushed into whatever job they could get due to the shock and sense of insecurity, taking work that didn't earn the wages needed to sustain their basic living situation such as rent/ mortgage or other payments. Aviation workers sacrificed a lot to be in aviation specific roles; the skills gained are very specific and hard to transfer to other industries. If these people had the time to look at the skills they had and job options, they could have ended up in better work. Following the pandemic it is difficult to

negotiate new redundancy provisions into agreements, with companies refusing to incorporate them, despite considering them pre COVID. I think it's a very good scheme and provides for some sense of security and protection at a time when people are already dealing with the loss of their job, less or no contact with their support networks who were their colleagues and a huge sense of vulnerability and fear for the future."

- Scott, E tū Aviation industry member leader

"I was made redundant in July last year, had been with the company for 39 years until the business shut down and everyone was made redundant, around 190 permanent staff plus multiple contractors working there. The business was in newsprint, and the closure was on the cards for a few years with the industry in decline, following the Covid outbreak the dynamic changed in terms of how people advertised and communicated, so the closure was brought forward. It was a very very unsettling time because for the last 10 years the threat of closure had been over our heads, we had a round of redundancies in 2005 and 2012 with significant number of people leaving. The threat of the plant shutting down had been on everyone's mind for the 10 years, a concerning time, with workers trying to keep the place running for the business and community. The saving grace was us being in a highly unionised site with redundancy protection, but the contractors who were on the site every day of the week, working alongside us for years, were left with nothing. We were at least in a semi managed type process, but they didn't know where they stood, they were told they were no longer required and were unemployed and had no protection or income, they were very adversely affected by it. I think the income insurance scheme is a necessity. Unfortunately, most people are left with nothing (following redundancy or job loss), except "thanks for the memories."

- Bruce Richard Habgood, previously an E tū delegate, Pulp and Paper Mill industry

"I was employed in the oil and gas industry in Taranaki, we lost one of our major contracts and the role I had was no longer required, I was with the company for 12 years. When I first started we didn't have a union, but when we did, one of the first thing we negotiated was redundancy. I had the maximum entitlements when I was made redundant, I lost the job right around the time of Covid. The redundancy payment was equivalent to 12 weeks' work. That really allowed me the time to make a plan; I used EAP career counselling services, I had three sessions, this took a few weeks. I needed the time to think about what was discussed following each session, what my transferable skills were, what I wanted to do and what was out there. I had the time to consider my options. With the skills I had I figured that I could do a H&S training towards a diploma in H&S management, and at the same time used my contacts and CV to find a job with Customs, implementing the Covid measures at the ports in Taranaki. That 12 weeks redundancy payment gave me a chance to organise my thoughts and find a job. Although my next job at the ports was for less pay and not matching my skills, it gave me the bridge I needed to find permanent work. The redundancy compensation which allowed for that process was really important in getting where I am now. I think the proposed scheme is excellent, you don't understand the importance of it until you are made redundant and then it becomes very clear."

- Stefan Freeman, E tū organiser, previously employed in the Oil and Gas industry

"The pandemic has decimated the ranks of aviation workers. The industry had been steadily growing for years but within months of the borders closing half of all 8000 E tū members in Aviation had lost their jobs. Thousands were forced out of the industry and had to find other work or retrain as best they could. Those that remained fought to hold on to hard won wages and conditions but with little chance to win pay increases and better jobs their conditions have fallen behind and are stagnant."

Aviation workers have always had high rates of union membership and many of the more established collective agreements they had negotiated included redundancy payments to help them in times like this. That helped. They had planned ahead and, for those workers who had the longer tenure, the payouts made a big difference to their ability to pay the bills and look for other work. But there were several employers who were close to insolvency and there was a real risk that they would not be able to pay out on the redundancy entitlements at all. Thousands had little or no redundancy entitlements due to the contract they were on or because they hadn't been in their jobs that long to qualify. Standard 'Last on First off' redundancy criteria and the demographics of aviation work meant that newer employees particularly women, young and migrant workers were the hardest hit. Non-unionised workers had no one to help them. They were all pushed out of their jobs during lockdown and had to find whatever work was available. The pandemic has shown us how tenuous employment can be. How an entire sector of the economy can fail. Income Insurance builds into every industry the ability to deal with downturns and sudden or unexpected job losses."

- **Savage**, E tū Head of Aviation

"Lockdowns and economic disruption due to covid hit our members hard in 2020. Nearly three dozen restructures took place across about half of the E tū members in manufacturing/infrastructure leading to job loss during the period from April 2020 – October 2020 with over 500 workers made redundant. In 2021/2022 over 200 jobs in the same group of members have been lost through redundancy and more are yet to come. If the average number of jobs lost by redundancy or medical/injury reasons in NZ every year is 100,000, then 2020 had to be the peak of that average. The impact of job loss during economic uncertainty cannot be understated. At a time when families are worried about their health, safety & welfare, to have the added insecurity of income has devastating impacts. Once the cost of living started to skyrocket in 2021, the fears of working people were realised. "How can we keep our home? How will we pay for food? How can we pay the bills?"

However, when workers know they have the security of income insurance (or redundancy for those union members who have kept their entitlements), the impact is lessened. Then workers can look at the situation more clearly and without panic. Then they start thinking about re-training and upskilling. They start thinking about what kind of job they can get that's most meaningful to them and consider things like hours of work (work-life balance), location (to avoid traffic, and balance their lives), etc because they have the security of time. Redundancy payments are lump sums. This means that they get taxed at close to 40% and the remainder can disappear paying for bills quickly. Social insurance would be regular payments guaranteed for 6 months, allowing some breathing space for families to plan together."

- **Jen Natoli**, E tū, Power Our Future Team Leader

3. Honouring Te Tiriti o Waitangi

E tū has 6000 members who identify as Māori and are represented by Te Runanga, a union committee that ensures the voice of tangata whenua is strong in everything we do as a union. Our Te Runanga convenor notes the critical importance of this policy for supporting tangata whenua, who are among the most disadvantaged workers in Aotearoa.

"Tangata whenua are disproportionately affected by economic downturns, they are often the ones who end up in insecure and exploitative work and are the first to lose their jobs during a crisis. These

disparities were created by the dispossession of the first people of this country - the New Zealand economy was built by the actions of the colonisers who stole the resources from the people who were already on this land, placing them into impoverishment, and removing them from safety and security.”

4. An effective welfare system is needed

4.1 The outstanding recommendations from the Welfare Expert Advisory Group (WEAG) must be implemented by the government to ensure a balanced social security system in New Zealand.

4.2 Following the impact of the pandemic more families are left in hardship and progress on the implementation of the recommendations is slow. Of the key recommendations by the WEAG to the government, close to half have no evidence of implementation, with the rest of the recommendations being implemented only partially, or minimally⁵.

4.3 A balanced welfare system is required which includes an income insurance scheme to propel workers towards equally or better paid and skilled work when they are affected by job loss due to redundancy or health disability, as well as a social welfare system that allows vulnerable New Zealanders to live with dignity and have an equal chance of success.

5. Effective active labour market policies are needed alongside the scheme & comment on the obligations of participants

5.1 E tū supports the proposed extension of the scheme for people who need time to retrain or rehabilitate to ensure that people transition into decent jobs or are given the time needed to recover from a health condition before doing so (Q43).

5.2 As outlined in the discussion document, outcomes should be targeted at individual needs - training is most effective over the medium and long term in addressing skill gaps and structural mismatch of skills in the labour market. Those suffering or recovering from a health condition also require the time to rehabilitate and move into work that is accommodating of these conditions and given the time needed to recover, reducing long term disability.

5.3 Well-developed and targeted Active Labour Market Policies (ALMP) are necessary to support New Zealanders who are out of work and to match them with well-paying jobs that fit both their skills and capabilities. During the scheme’s ‘window of opportunity’ for participating workers, ALMPs will be an essential element in the scheme’s success; well-designed, effective, targeted, and resourceful

⁵ <https://www.cpag.org.nz/assets/Children-cant-live-on-promises-CPAG-report-Dec21.pdf>

ALMPs that support workers into decent jobs will make the scheme a success or potentially undermine its intentions if they are not.

5.4 The effectiveness of ALMPs for the participants of the scheme will also be important for transitioning the economy toward sustainability, supporting workers in a Just Transition and ensuring that workers are ready for changes in their industries.

5.5 Effective ALMPs are not only necessary for workers who lose their jobs by way of redundancy, or as a result of a disabling health condition, but also for any New Zealander who is out of work, or who is seeking to adapt in a transitioning economy.

5.6 An initial investment will be important in ensuring the scheme is supported by fundamental tools required to enable its intended outcomes. Should the support available to workers who lose their jobs be poorly designed, the scheme could fail to serve its purpose in creating better outcomes for displaced workers and potentially lose critical popular support.

5.7 The detail around activation policies and support is lacking from the discussion document and needs to be clarified. We ask that the committee detail how the scheme will operate in practice and include information about the timing and level of support that will be available for those who become eligible to participate in the scheme. This should include information about the level of funding towards ALMPs.

5.8 More detail is required on the obligations of the participants in the scheme, specifically around the mentioned proposals to require participants to:

- “Actively search for work and demonstrate job search activity”
- “Accept suitable offers of employment that offer at least pre-displacement wages and other terms and conditions or are seen by both claimant and insurer as suitable, given work capacity and childcare responsibilities”
- “Complete a return-to-work plan”

5.9 Detail is also needed on the elements specified in the proposal around:

- “approved training” programmes
- Approved “active labour market programmes”

5.10 We also seek detail on the proposed ways in which the insurer could support claimants to meet their obligations by:

- “Connecting claimants to appropriate employment services and job opportunities”
- “Using case management to understand individual needs and barriers and to develop a return to work plan.”

5.11 Activation programmes should allow people some time to try to find work on their own if they prefer to do so, before requiring participants to partake in intensive agent support and re-training. It is best to give people a month or two to seek work that suits them, should they prefer to do so on their own. Following this period, ‘activation’ can intensify support to participants in the scheme. Some people are capable and prefer to take the time to seek suitable work themselves while receiving income insurance payments; early intervention may create unnecessarily stress for a participant who needs time to consider their options and figure out a plan for return into the labour market. Giving those that prefer to have the initial time to seek work on their own will also save the scheme from unnecessarily dedicating resources where they are not needed.

Instead, the scheme should give participants the option to engage in support and training early on if they prefer, but not require them to do so until a period of a month or two following the loss of work. Once the person does seek support, the support should be of high quality, ensuring that participants get effective and supportive advice, guidance, and re-training opportunities (Q60).

5.12 We strongly agree that workers should not be required to accept any offers of employment. There should not be a requirement for workers to accept offers of employment in any case, workers should be treated with dignity and respect and trusted to make a decision for themselves on whether a job offer is appropriate or suitable for them during the term of the insurance cover (Q61).

6. Treating those who partake in the scheme with dignity and respect as a core principle

6.1 It is paramount that the scheme and the support available are always supportive and engaging in a positive and respectful way, giving people dignity and confidence.

7. Levies and insurance payments

7.1 A 1.39% contribution for workers who are employed on minimum wages equates to \$11.80 weekly contribution to the scheme. This amount will significantly impact on people on low incomes, who struggle to pay for food, petrol, bills, and other necessities. About 156,700 children in New

Zealand lived in households with less than 50% of the median equivalised disposable household income (before housing costs)⁶. For these households \$11.80 per week is not affordable.

The introduction of the scheme needs to be accompanied by ongoing improvements in minimum wages and support that provides workers with the income they need to provide for necessities and live with dignity while having job security.

7.2 Similarly, low wage workers would be entitled to receive 80% of their regular earnings while in the scheme but this means that many minimum wage workers will receive payments that are below the minimum wage. Families on low incomes will struggle to afford to pay for necessities on such a reduced income. We believe that the scheme should provide at least the minimum wage to those who receive the insurance payments.

7.3 The risk cited in the discussion paper of reducing “financial incentives to work for those on lower incomes” is misguided; as long as there are the necessary and effective support and activation programmes in place, participants in the scheme will be better off. The minimum wage is needed for survival of displaced workers, the risk of providing payments below the minimum wage is the risk of families not being able to sustain themselves with life’s necessities (Q29).

7.4 We agree with a cap on insurance income to be set at the proposed \$130,911; however, we don’t agree that the payable levy should be limited at any income rate. Workers should continue to make contributions at the proposed levy rate on any income, including those on more than \$130,911 (Q30).

7.5 We strongly agree that only the insurance claimant’s personal income should affect their insurance entitlements and that it be an individualised entitlement, not in any way affected by a partner’s income (Q31 and Q32).

7.6 We agree that people in the scheme should be able to earn some income from paid employment and that insurance payments should only be affected if the person earns more than 100% of the previous income earned (Q33 and Q34).

⁶ <https://www.stats.govt.nz/news/child-poverty-statistics-show-all-measures-trending-downwards-over-the-last-three-years#:~:text=Poverty%20rates%20for%20all%20New,income%20before%20deducting%20housing%20costs.>

8. Eliminating precarious work, vulnerable workers' exploitation, and the 'race to the bottom'

8.1 We agree that non-standard work arrangements should be covered by the scheme, including casual, temporary, fixed term, seasonal and other forms of non-permanent work. Migrant workers' circumstances should also be considered, and they should have access to the scheme in some cases.

8.2 We expect that the proposed scheme will assist with the issues New Zealand face with the 'race to the bottom', where employers compete in their industries on the cost of labour, driving down wages. Allowing displaced workers the time to find suitable and appropriate work to match their skills and experience, will help prevent employers from taking advantage of vulnerable workers, who would otherwise partake in any work that becomes immediately available.

8.3 The time and training allowed for workers to find suitable work under the scheme will also reduce the risks associate with workers becoming trapped in a cycle of precarious and casualised work that doesn't offer the full protections available to permanent workers under the Employment Contracts Act 2000.

9. Employer Bridging Payments

9.1 E tū agrees that employers should give at least four weeks' notice to employees and the insurer, before redundancy takes effect (Q44).

9.2 We support the proposal to introduce 'employer bridging payments.' Such a provision will ensure that the costs associated with making people redundant will incentivise employers to take redundancy through restructuring seriously and not use the scheme to move workers on unnecessarily. (Q45).

9.3 We strongly support the proposal for all workers to have entitlements to 'bridging payments' even where they may not be entitled to the insurance scheme. This is to avoid negative externalities of the scheme in the form of in-equities in society and certain groups of workers (Q46).

9.4 The scheme payments should not in any way affect the rights that workers are entitled to under existing collective employment agreements, and there should be no capacity in the law for negotiation out of bridging payment by consenting parties.

9.5 We support the initiative to establish a mechanism to ensure that workers receive the 'bridging payments' from employers; a government agency should take responsibility for collection of all 'bridging payments' from employers and manage the transfer of the payments to workers. This way, the payments would be guaranteed to workers and not dependent on employer compliance, which the government needs to enforce and manage themselves with employers through the scheme (Q47).

9.6 We strongly disagree that employers should receive refunds if workers find employment or assisted by the employer to find work within the period of ‘bridging payments’ (Q47).

We are concerned about the proposal for employers to have financial incentive to place workers in *any* other jobs. The proposed refund creates an opportunity for businesses to ‘save money’, we know that this will create a harmful externality where employers may pressure workers and find ways to place workers into other jobs that may not be suitable for the worker in the effort to save money. This proposal may also create a loophole for employers who want to make workers redundant without liability, whereby employer would apply pressure on the workers to accept the employment or work offered to them by their current employer who seeks to minimise the costs associated with making workers redundant. We believe that the proposal to refund employers who “help” workers find another job post redundancy has the potential to overshadow the positive intentions of the scheme and create an unintended mechanism for vulnerable workers to be prevented from entering the scheme and finding suitable work that matches their skills and abilities, as well as having the opportunity to retrain. The option for a refund can undermine the intended outcomes and goals of the scheme to see vulnerable workers protected against exploitative work options and to enable them to retrain and progress in the labour market.

Instead of relying on a potential refund of the proposed ‘bridging payments’ employers should engage in proper consultation prior to making a decision to make workers redundant. This process will ensure that the right decision is made for the business and minimise the cost associated with the outcome.

9.7 This was not part of the proposal in the discussion document, however, we oppose any accreditation feature for employers to manage the scheme in a similar way to that available to employers under the ACC. Employer accreditation to manage income insurance would create serious conflicts of interest and hinder the success of the initiative.

10. Other proposals

10.1 We agree that the scheme should cover partial loss of earnings due to a health condition or disability reducing the capacity to work (Q51).

10.2 E tū agrees that employers should be expected to make reasonable efforts to keep a job open where a return to work within six months is likely and that employers should take all reasonable steps to support an employee to continue working, should the employee prefer to do so (Q55 through to Q58).

11 . We believe that the scheme is beneficial to business and industry

11.1 Should the scheme be designed appropriately and effectively to meet its intended goals, business and industry will benefit by having better access to skilled workers in the labour market, where workers will be better trained and skilled to meet the demands of a transitioning economy.

11.2 Overtime, as the scheme continues to support those who lose their jobs, the underutilisation of available skills and experience in the labour force will reduce and instances where people partake in unsuitable work due to economic pressure will be minimised, giving employers and industry better access to appropriately qualified and experienced workers.

11.3 Most of New Zealand's businesses are small to medium enterprises with less than 20 employees, and many employers have close relationship with their workers. Making people redundant in these businesses means the potential of having extreme negative consequences to people's lives and making them vulnerable to hardship and poverty. With the scheme in place, such businesses owners would be able to adapt their operations while knowing that workers will not be worse off, giving business the confidence to adjust and be more agile to changes in the industry and economy while knowing that people in their communities are protected and supported towards better opportunities and stronger local economies.

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Privacy of natural
persons