



## NZ Income Insurance Scheme Feedback

This feedback is being submitted on behalf of Flight Centre (NZ) Limited.

We currently have 390 employees and offer redundancy compensation in our employment agreements that is linked to tenure, two weeks for the first year and one week for each additional completed year.

Over the past two years we have been significantly affected by Covid-19 and the impact it has had on the travel and tourism industry globally. During this time we made 750 redundancies and despite having no income and significant outgoings we honored all our redundancy payments and ensured that our team were set up to the best of our ability to be able to secure a new role.

We have actively remained in touch with our past team members and have brought a large number back as part of our rebuild. We have continued to offer redundancy as part of our Employment Agreements but a scheme such as this would make us rethink this.

The ability for a business to be able to differentiate their employment offering to potential team members is important in an environment of low unemployment and skills shortages. We believe that this scheme impacts our ability to do this.

We have provided specific feedback to the questions asked in the consultation document below:

***What do you think about our proposals for up to six months of support from the scheme, at 80 percent of someone's normal salary? Higher levels or longer durations of financial support will mean the levies paid by employers and employees will be higher.***

New Zealand is currently experiencing very low unemployment, this means that six months is a significant period to find another role – especially as the employee should have had a months notice from the business on top of a fair consultation process so could be as long as 8mths to try and find alternative employment.

***Employers will provide a four-week payment for redundancies and layoffs, to discourage unnecessary redundancies and provide extra assurance that the scheme is only used by those who should be eligible, lowering costs to other employers. What do you think about this payment? Are there other ways to promote integrity?***

We believe there is a very small percentage of businesses who carry out redundancies unnecessarily. The scheme may have the opposite effect – companies may feel it is easier to make a redundancy and pay the 4 week payment then deal with poor performers and problem employees

Employers may be more likely to make redundancies as they are paying for it anyway and it may become a negotiation tool for employees who are being performance managed as they may ask to be made redundant and receive payments rather than being dismissed.

The scheme would deter companies from offering redundancy payments in their Employment Agreements and it would appear that it allows for double dipping.

***Aside from financial support can you think of any other support that would help workers return to work?***

Free CV and interview preparation – although this would depend on the quality of it and what the availability is. We believe that there is not currently a government agency that is set up to offer these services effectively.



***The scheme would be funded by levies on wages and salaries, with both workers and employers paying an estimated 1.39 percent each. Do you think the levies are good value for the protection and benefits the scheme would introduce for you and for New Zealand?***

No, we believe this would impact the lowest income earners the most. A large number of people contributing to it will never use it. ACC levies are much wider used, and people can see the advantage to having an accident cover scheme as many people have had someone in their household use it at some point.

Most employees will never be made redundant and will therefore be paying a levy that will not benefit them, in addition many small New Zealand businesses will never make redundancies and therefore are subsidising those who do.

There is a high cost of living in New Zealand and many people are living paycheck to paycheck. We believe this may impact people's ability, and willingness, to contribute to kiwisaver which would have a flow on effect to retirement savings and first home buyers.

***How affordable do you think the levy will be for you?***

The levy will be affordable for Flight Centre NZ when the business is making money but during a significant downturn such as Covid then it would have been an additional expense when there is no income.

We believe the money would be better utilised offering additional benefits to our employees.

***We propose that ACC delivers the scheme. Do you have any suggestions that will be important to consider for ACC's delivery of the scheme alongside the existing accident compensation scheme?***

We believe that ACC currently has a lack of resources and expertise to be able to deliver this scheme and offer the reemployment training and support that is proposed. It would take significant resourcing and funding to bring their capacity up to the level that would be required.

***Now that you have read about different aspects of our proposed New Zealand Income Insurance scheme, what do you think overall?***

We believe there is a simpler solution, to legislate for compulsory redundancy to be included in Employment Agreements, which would have no limited impact on employees' take home pay and would only cost those businesses who are making employees redundant. We believe this would have the same impact on reducing any unnecessary redundancies without costing the businesses who do find alternative solutions to loss of jobs.