



## **Meat Industry Association of New Zealand (Incorporated)**

### **DRAFT Submission on a New Zealand Income Insurance Scheme Discussion Document**

26 April 2022

#### **I. Introduction**

1. The Meat Industry Association ('MIA') is the voluntary trade association representing processors, marketers, and exporters of New Zealand red meat, rendered products, and hides and skins. MIA members represent 99 percent of domestic red meat production and export, making the meat industry New Zealand's second largest goods exporter with exports of \$10 billion for the 2021 calendar year. It is New Zealand's largest manufacturing industry employing some 25,000 people in about 60 processing plants, mainly in the regions.
2. A list of Association members is attached as Appendix 1.
3. Meat processors are the largest manufacturing industry in terms of employment numbers. The industry workforce is relatively heavily unionised, with about 70% of the workforce covered by collective employment agreements. Many of these agreements include redundancy provisions, which could be affected by the proposals.
4. Much of the industry employment is also seasonal, with a significant portion of the workforce standing down or being laid off in the off-season – it is not clear how the proposals will affect a seasonal workforce.
5. The industry also suffers from a serious labour shortage of at least 2,500 workers, which is especially acute in rural areas where most of the industry has plants. A system that essentially incentivises workers to remain out of work for a long period could exacerbate an already difficult situation for businesses, especially those in rural areas.
6. There is significant disruption from Covid-19 and high levels of sickness and absenteeism. There is high inflation which will lead to even greater pressure on worker incomes and pressure on wage demands on employers. The timing of this proposal is poor.
7. Many vulnerable workers are not covered by employment contracts but are contractors. The proposal does not cover contract workers. This proposal would be a strong incentive for employers to shift towards putting more of their workers onto contracts, and so, perversely, increase the vulnerability of those workers.

8. The MIA does **not** agree “New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities.” There is no obvious case for such a scheme in New Zealand; the existing system (where workers who are made unemployed become eligible for a welfare benefit) functions well; nor has there been any constituency or group pushing for such a scheme. Such a scheme is likely to be disruptive for meat processing (with a reliance on seasonal workers) in particular, though given the lack of analysis it could either be very advantageous or extremely negative to the industry. The evidence overseas is that unemployment insurance ends up shaping the way seasonal industries work, and further analysis is needed on how it would affect New Zealand (with significant seasonal industries) before New Zealand should consider this scheme.
9. The tripartite Forum is essentially proposing a 3% income tax increase to raise \$3.54 billion annually. The Forum did not undertake an economic analysis of what the true opportunity cost of that is, as effectively 3% of worker incomes is being redirected to future unemployment relief.
10. As a general remark, the overall conception of this scheme is based on the unemployment insurance schemes from Europe which have been in existence for more than a century (in contrast to the universal welfare approach taken by New Zealand). This assumes a labour environment which is essentially stable and based on a defined relationship between an employer and employee who works permanently and full-time. The problem is that the modern New Zealand labour environment (which compared to Europe is heavily skewed to small family-run businesses and seasonal work) is changing and bears little in common with the 20<sup>th</sup> century European labour model the unemployment insurance model is based on. Work is increasingly flexible, is increasingly likely to be seasonal or part-time or for a short-term contract (sometimes the “gig economy”), and workers may have more than one job. The proposal feels like a 20<sup>th</sup> century European solution trying to fit to a 21<sup>st</sup> century New Zealand economy.

## **II. “The Case for Change”**

11. The document points out that job displacement is common in New Zealand. This is understandable – much of the New Zealand economy has relatively small (often family-operated) businesses, and the large businesses such as meat processing are seasonal.
12. It is notable that two different figures for job displacement are cited – 115,000 and 48,000. The Household Labour Force Survey figure is 48,000, which excludes people who go onto to a new job immediately or who have multiple jobs – which suggests that the actual number of people being significantly impacted is not high.
13. The document notes that “on average, displaced New Zealand workers do appear to return to work relatively promptly, but many show significant long-term wage scarring.” That there is “wage scarring”, in which workers who lose their jobs are reemployed at a lower rate is the core argument for the case for change.
14. However, while the argument for wage scarring is the main case for change, it is notable that there is very little evidence advanced to support this contention.
15. A second reason advanced or a “case for change” is that it is speculated that there might be opportunities to improve productivity (it is not stated how) and to reduce the impact on small rural communities when a single employer shuts down. This is speculative and without evidence.
16. The “case for change” does not produce evidence that there is a problem to be solved. There is no data provided on the extent of involuntary job severance and no evidence on the wider

impact that this has. Given that the Forum goes on to describe a solution that would have a significant impact on business and employees through what amounts to an additional 2.77% income tax, it is surprising that this would be done without any evidence to support the case.

### **III. Income insurance scheme could minimise the immediate financial impact of losing income**

17. MIA notes that the scheme is envisaged as “insurance”. A fundamental part of an insurance scheme is that the members of the scheme pay according to the level of risk. This is the case with ACC, where industries have different levy rates according to the level of risk (and where large employers can go onto individual schemes). This is not proposed in this – in effect there is a universal tax rate to provide benefits to the members.
18. Inevitably this will socialise the costs of the scheme, where stable industries with long-term employment effectively subsidise the costs from industries with high levels of displacement. It remains to be seen how seasonal and casual workers will be treated in the proposed scheme, but it could lead to the meat industry (where the full-time permanent workers can be very stable) effectively are subsidising workers from highly unstable industries.
19. MIA agree that income insurance could minimise the immediate financial impact of losing income. However, this is one of the main purposes of the existing welfare system. New Zealand has chosen a path of universal welfare benefits, in contrast to European countries which have historically opted for social insurance model where workers pay into a fund.
20. The document notes that a failure of the current welfare system is that “a high proportion of people who are displaced have an earning partner so are less likely to be eligible for benefit support.” There is no evidence advanced to inform this claim, so this discussion is speculative. But the statement raises two issues. First, that if a displaced worker has a partner who is earning above the threshold, then is there a major public problem? Evidence that there is in fact a problem would be useful. Secondly, if the problem is welfare thresholds are too restrictive then the obvious solution is to relax those thresholds rather than create a new scheme.

### **IV. Income insurance could help support workers back to good jobs**

21. No evidence has been advanced to support this view. MIA notes that “the international evidence is mixed as to whether simply receiving insurance payments leads to better job matching given conflicting incentives.”
22. The proposal speculates that there could be future undefined “active labour market programmes.” It is not explained what these active programmes are, but we note that the proposal is simply to pay workers, and not to fund an “active labour market programme”. If there is a need for such programmes, these are most appropriately funded directly from Government, rather than through an insurance scheme.
23. The main reason why people suffer a loss in income is because they lack the skills and/or experience for other jobs. This is especially the case in New Zealand, especially in the regions, where the job market is small and shallow, so people will be unable to find a new job using the same skills and receiving the same income. There is no evidence that a 6 month period to remain unemployed while looking for the same job at the same income will work. It may equally cause a person to drift into long-term unemployment.

### **V. Income insurance could support the economy**

24. The discussion that income insurance could support the economy during a downturn is speculative and evidence would be useful.
25. The Discussion Document refers to the closure of meat processing plants as an example of the impact on small towns. However, those towns are heavily reliant on economies of scale from livestock supply, and that there are no other alternative large industries. A six month period of income insurance will not make a long-term difference to a town in which the main industry shuts. Public policy should be directed at ensuring a regulatory and policy framework so that existing plants remain profitable and supporting new businesses to become established, rather than setting aside money to pay for workers from failed businesses.
26. MIA is puzzled at the statement that income insurance “can help to keep workers connected to their employers, rather than focus on supporting them to new jobs.” Presumably this means that the insurance scheme would be used to provide a wage subsidy to particular businesses. This is also contrary to the later discussion on use of the insurance payments not going to businesses who lay off workers and then take them back on at a later date.

## **VI. Income insurance could change the operation of New Zealand’s labour market and economy in many ways.**

27. The Discussion Document has little relevant data or evidence to inform a speculative discussion that it may (or not) result in any positive changes to the labour market or economy.

## **VII. Costs of an income insurance scheme can be shared between employers and working people**

28. The document proposes a 2.77% levy on income. This number should be supported by a robust transparent analysis made available to the public.

## **VIII. A new income insurance scheme provides benefits for employers too**

29. The document lists a series of speculative possible indirect advantages for employers. It is not clear why the insurance scheme would be any direct benefit to employers, except for four advantages:
- a) An unemployment insurance scheme could enable employers to remove redundancy clauses from employment contracts, and so lower the exposure of those employers to redundancy liabilities. In effect, the costs of redundancy can be socialised;
  - b) An unemployment insurance scheme could enable an employer to layoff poor performing workers (who will receive 6 months income) instead of a difficult performance and termination process. In effect, the costs of having to deal with poorly performing employees gets socialised;
  - c) An unemployment insurance scheme could be used as a form of easing older workers (especially those who have potential costs due to long-term health conditions) into earlier retirement;
  - d) An unemployment insurance scheme could be used for seasonal workers to work for a period and then be laid off at the end of the season and receive a 6-month income.

## **IX. An income insurance scheme will have distributional implications**

30. An analysis of the distributional impacts needs to begin with a baseline of the JobSeeker or Disability Benefit.
31. Assuming an average JobSeeker benefit for an average New Zealand worker with an average family (partner not working) and an average mortgage, then they could receive a

benefit of just over \$900 per week. In effect this means that the income insurance will only benefit those workers earning at or above the median wage and most workers displaced for economic reasons or health reasons will not gain a benefit from the insurance scheme.

## **X. The Forum has considered alternatives to income insurance**

32. The Document makes comparisons with overseas where there are social insurance schemes. These countries also generally do not have the universal welfare system New Zealand does.
33. Individual savings are important, and many workers set aside some money “for a rainy day”. New Zealanders also invest in housing, with ownership of a house seen as a tangible asset that can be used for the future. It is disappointing that no evidence is advanced for the savings and potential assets of most New Zealand workers, that are already available to smooth the transition between redundancy and new work. Many workers already have Kiwisaver. While the Discussion Document is correct that Kiwisaver is intended to be primarily a means of financing retirement, it is also the case that people can use Kiwisaver for other purposes (paying off first-home mortgages). It is not apparent why Kiwisaver cannot be amended to allow unemployed workers to access their fund.
34. Redundancy payments are also an obvious means of smoothing the transition between jobs. How redundancy payments affect workers requires analysis. However, the Discussion Document is correct when it states that in the event of an income insurance scheme, “employers would change the way they negotiate provisions for redundancy payments”. Businesses would have a very strong incentive to do this, especially as they will need to bear an additional 2.77% on their wages.
35. MIA believes that, if the purpose of the proposal is to increase protection for workers who are made redundant, then the easiest way of achieving this will be to incentivise redundancy provisions in employment contracts (such as having redundancy provisions exempt from company tax).

## **XI. The Forum considers the benefits of income insurance for job loss due to displacement or health conditions would outweigh its costs (question 1)**

36. Given the lack of any evidence to support its considerations or why the scheme is necessary, and the likely perverse outcomes of the proposed scheme, the MIA **does not agree** that New Zealand should introduce an income insurance scheme.

## **XII. Honouring the Treaty of Waitangi (questions 2-5)**

37. The scheme is proposed to be an income insurance scheme. As such, any levy should be from people based on the need to raise enough funds to pay for the liabilities of the scheme, and to provide benefits to beneficiaries based on the criteria of the scheme. If any particular group is singled out, then that is for the Government to resolve, and not for levy payers or beneficiaries of the scheme. It is not for an insurance scheme to resolve other Government objectives such as to reduce the broader social and economic inequities for Maori.

## **XIII. Displacement and standard employment (full time and part-time permanent employees) (questions 6-10)**

38. It is notable that the proposal is premised on the norm being “standard” full-time permanent employment. The problem with this is that New Zealand has historically had a very high proportion of small (often family-run) businesses or flexible seasonal work – the trend is

towards even more workers working flexibly, on short-term contracts, and potentially with more than one job. The “standard” is becoming unique.

39. Gaining a workable definition of “displacement” will be challenging. Current redundancy clauses are covered by employment agreements and legal precedent. Creating a much broader definition that potentially covers more people in diverse circumstances, and with significant potential rewards (6 months at 80% income) is potentially easily gamed.
40. An important issue not addressed is whether existing redundancy provisions in employment contracts are superseded by this or whether the redundancy is in addition to this.
41. Another issue is the extent that an employer can redeploy a worker, without triggering the definition of displacement.
42. MIA agrees excluding poor performance and gross misconduct as reasons for claiming the insurance benefits. The reasons are obvious.
43. MIA agrees with excluding resignation as a reason for claiming insurance for obvious reasons.
44. There are perverse outcomes if income insurance applies to a reduction in hours.
45. That a person maybe doing more one job is irrelevant for the purposes of an insurance scheme. If they lose a job, then they should be covered up to the pay for that particular job.

#### **XIV. Displacement and non-standard employment – a principle-based approach (questions 11-13)**

46. MIA agree that if workers are paying into an insurance scheme, then they should be beneficiaries of that scheme. The fundamental principle is that if someone loses their job they should receive a period of income support, then there is no principled basis to exclude such people.
47. The problem is that it is difficult to know what “reasonably anticipated income” is when the workers are receiving very variable income. Work in meat processing varies greatly according to piece rate, over-time for a particular shift, and so on – and on top of this, when shifts are operating varies a great deal according to the availability of the workforce and livestock supply and customer demand. No doubt, the Courts over time could build up a lot of precedent for what constitutes “reasonably anticipated income”, but this will take time. This, however, highlights that what is being proposed is not going to be simple or easy to implement. Bringing in income insurance for all workers will be extraordinarily complicated and will take a long time.
48. A similar comment can be made regarding “an established pattern of work.” This will be incredibly difficult to apply to many work environments. While over time, the Courts will no doubt gradually determine what is “an established pattern of work”, this will not be easy, will be litigious, and take a long time.
49. It is not clear what will happen if a person is laid off, receives the insurance payment, and is then reemployed. Will that person have to repay the amount? This may have perverse outcomes.
50. As above, MIA notes that the trend for the labour force is towards increasingly flexible work arrangements, and basing a scheme on “reasonably anticipated income” and “an established pattern of work” fails to reflect the future of work.

## **XV. Coverage provided for fixed-term and seasonal employees (questions 14-15)**

51. We note that the meat processing industry is heavily seasonal and that the proposals for unemployment insurance for seasonal workers could have a major impact on the industry. However, with the lack of evidence or analysis to support the proposal, MIA is unable to reach a conclusion as to whether this could be a benefit to the industry or prove to be extremely disruptive.
52. MIA agree that if workers are paying into an insurance scheme, then they should be beneficiaries of that scheme. The fundamental principle is that if someone loses their job they should receive a period of income support, then there is no principled basis to exclude such people.
53. How this is applied in practice is going to be extraordinarily difficult and open to gaming and perverse outcomes. Trying to prove what is “a regular pattern of work” and “reasonable expectation of future income” (p.60) is going to be fraught and easily gamed.
54. For example, a worker working in the slaughter floor at a processor is laid off at the end of a season, and receives their 80% of income for 6 months. Given that workers can earn a significant income during the season, this could be very substantial, so there is a strong incentive to arrange to be laid off when the season ends. However, after several months, the worker decides to return to work at the only major employer in the region – the meat processing plant, though this time in the boning room. This raises all sorts of problems.
55. MIA note that trying to prove “the duration of the payment running to the scheduled end of the employment agreement” will be challenging to implement in a seasonal industry where the termination of seasonal employment is flexible and depends on livestock supply (which itself is dependent on grass and weather).
56. Equity reasons mean that seasonal workers, who pay their insurance levy, should be eligible for the same insurance benefits as other workers. However, determining what “a regular pattern of work and reasonable expectation of future income” is in a seasonal industry is likely to prove extremely difficult.

## **XVI. Coverage provided for casual employees (questions 16-17)**

57. Given that casual workers will pay the insurance levy, it is only fair that they should also benefit if laid off. But, equally, it is likely that casual employees and businesses employing casual workers will game the system, leading to casual workers moving to a cycle of casual work for periods, and then six-month “down-time” before restarting. In effect, permanent employees in stable industries would be paying for casual workers to rot the system.
58. Again, trying to establish what is a “regular pattern of work and a reasonable expectation of future income” is likely to prove extremely difficult for casual workers. How they would prove that there is “an event that has interrupted work” will also be practically challenging.
59. MIA notes that the proposed solution to this is leaving it eventually to the Courts to decide (p.61). This provides no certainty for business or employees.

## **XVII. Coverage provided for self-employed workers (questions 18-22)**

60. We note that “No comparable scheme has full compulsory cover for self-employed.”

61. If self-employed workers pay a levy, then they should be eligible for coverage. But this will be easily rorted and be practically impossible to implement.

62. Attempting to place a limit on the number of clients is impracticable.

63. MIA considers the proposal to cover self-employed workers to be impracticable.

#### **XVIII. A modest minimum contribution period (question 23)**

64. The Forum proposes a contributions history of six months over a period of 18 months. Further analysis is required why these numbers have been landed on.

65. Future analysis is also needed on how this would affect workers on parental leave, sickness leave, sabbaticals, and so on.

66. As explained above, what is proposed could be easily rorted, and could prove to be extremely disruptive to seasonal businesses. In effect, a worker after a normal season would be eligible for a full insurance payout if they are laid off. This will create all sorts of perverse incentives for workers to aim at getting laid off at exactly six months into the season.

67. With the current proposal, we would envisage a cycle emerging of workers going onto unemployment insurance for six months after six months work. This is what has occurred overseas in other seasonal industries with unemployment insurance. This would be potentially extremely disruptive to meat processing, or it could be very beneficial (as the industry shifts onto a pattern of seasonal work with workers earning during the season, and then relying on the unemployment insurance to stabilise their income in the off-season.

#### **XIX. Limits on subsequent claims (questions 24-26)**

68. The proposal for one claim every 18 months is not supported by any analysis.

69. As explained above, what is proposed (six month benefit every 18 months, following six months work) could lead to a two-yearly cycle for seasonal workers.

#### **XX. Coverage provided for New Zealand citizens and residents (questions 27-28)**

70. It is unfair that migrant workers pay a levy that they are not entitled to benefit from.

#### **XXI. Entitlements for displaced workers (questions 29-30)**

71. The replacement rate of 80% appears to have been selected purely because it is the same as the ACC, rather than any analysis of need. For this reason, MIA does not agree with the proposal for an 80% replacement rate or a cap of \$130,911.

72. The document states that even with an 80 percent replacement rate, some families may struggle to meet their regular outgoing cost". It goes on to state that "Such families may be eligible for welfare support that helps meet these costs." (p.76) This is inconsistent with the Forum's previous discussion on how the welfare system could not be adapted to pay for costs above the welfare thresholds.



**XXII. Only personal exertion income would abate (reduce) insurance entitlements (questions 31-32)**

73. The MIA have no views on this. We note that earlier the Forum noted that a problem of the universal welfare benefit was that it abated depending on the partner's income – given that this was regarded as a problem of the welfare system by the Forum, it would be inconsistent if the Forum was to then argue that a partner's income should affect the insurance payable.

**XXIII. Abatement rules would ensure a claimant is not financially better off as a result of their loss of work (questions 33-34)**

74. The Forum earlier argued that a problem with the welfare benefits system was that a person's additional payments on leaving work (such as accrued sickness and annual leave) penalised them on becoming unemployed. It is inconsistent of the Forum, then to then argue that there should be an abatement setting to ensure that a person is not financially better off as a result of their lost work.

75. This would have particular relevance to any redundancy payment. It would mean that a redundancy payment (which could put an unemployed worker over the pay) would prevent a person receiving unemployment insurance. This would have a very negative and disruptive effect on the existing redundancy provisions in employment contracts.

76. What is proposed by the Forum (a 70 percent reduction of insurance for every dollar earned) also disincentivises an unemployed worker from moving into part-time or casual work or other employment, and creates a strong disincentive to move off unemployment into paid work.

**XXIV. Insurance would generally be treated as income, to determine eligibility for welfare and student support (questions 35-36)**

77. Linking the insurance income to the eligibility for the welfare benefit means that many workers will receive no or little insurance income, as the welfare benefit could be above 80% of the worker's income. It is disappointing that no analysis is provided showing the effect of having a welfare floor on the income, and how this will affect lower income workers.

**XXV. Insurance claimants could also receive New Zealand superannuation and the Veteran's Pension (questions 37-38)**

78. These benefits do not have an income test but are universal benefits as of right.

79. However, this will create a strong incentive for businesses and workers approaching retirement age to orchestrate being laid off so as to receive a double income for six months (as opposed to simply retiring).

**XXVI. Where eligible, insurance claimants could choose whether to access Paid Parental Leave or income insurance and may receive both sequentially (question 39)**

80. Without analysis for what this means for most workers on PPL it is not possible to state a view.

**XXVII. Insurance claimants could also receive ACC weekly compensation where it covers a different income loss (question 40)**

81. There is no evidence or analysis to allow MIA to reach a position on this. We note that all these issues about the eligibility of insurance to a person if they have an alternative income or benefit (a) move the scheme away from an individual insurance payout irrespective of income and closer to a form of income indexed unemployment benefit, and (b) become extremely complicated.

#### **XXVIII. A sufficient entitlement period (questions 41-42)**

82. A long entitlement period increases the incentive to avoid finding work as quickly as possible. The likelihood of finding suitable work diminishes with time out of work, so the scheme should have as strong an incentive as possible for motivating workers back into work. This suggests a short period.

#### **XXIX. Extending the maximum period in specified circumstances (question 43)**

83. The Forum proposes that there be extension of the benefit for the worker to do training. This raises an issue of the already unfair vocational training system, in which on-the-job training (as done in the meat industry) is underfunded relative to classroom based training. This proposal further disadvantages meat processing where training is done on the job, while workers receive 80% of their income to do classroom-based training beyond six months.

84. Who will determine what criteria apply for approved training will create considerable bureaucracy and complexity. Who will determine what a person's training needs are, what the link between training a labour market demand is, and so on?

#### **XXX. Enhancing the income insurance scheme with notice periods (question 44)**

85. A minimum notice period of one month is practically difficult given New Zealand's reliance on seasonal work.

86. Businesses may not be able to provide a month's notice. This would have the effect of denying workers eligibility for their insurance entitlement.

#### **XXXI. Avoiding unnecessary redundancies (questions 44-48)**

87. As above, a four weeks notice period and financial liability will be practically difficult for seasonal industries.

88. The Forum pays attention to the likelihood of non-compliance and need for strong enforcement to make the proposed scheme work. This is because the scheme creates a number of perverse incentives.

#### **XXXII. Chapter 8: Coverage and entitlements for loss of work due to health conditions or disabilities (questions 49-59)**

89. What is proposed is a significant expansion beyond what was originally proposed. The flaws in the scheme for workers being laid off apply to a scheme for health or disability as well.

90. There is an existing universal welfare benefit. The proposal makes little mention of how the existing sickness benefit will apply to the creation of health and disability insurance. As with the previous proposal, it may be that workers on low incomes are provided with little or no benefit from the insurance scheme beyond what they are already eligible for.

91. Extending unemployment insurance to disability or health conditions creates a strong incentive for workers wishing to move on from their work or approaching retirement to claim a health condition, and to leave work and take an extended break at 80% of their income.
92. This will have a particular impact for the meat processing industry, where workers nearing retirement age are more likely to suffer injury or health conditions. At the moment this is covered by ACC with the intention of returning workers to work. What is proposed would instead act as a vehicle for workers to move out of the workforce.
93. "Reasonable efforts to keep a job open" will be practically impossible to implement. If a worker leaves that role for an extended period, then they will have to be replaced.

### **XXXIII. Chapter 9: Insurance claimants' obligations (questions 60-69)**

94. It is unfair that workers pay into an insurance scheme when they cannot be beneficiaries.
95. Obligations on claimants are only as relevant as far as the Government is willing to enforce compliance of those obligations.

### **XXXIV. Chapter 10: Delivering income insurance (questions 70-84)**

96. The purpose of unemployment insurance is to prevent wage scarring – that is, that a worker losing their job receives support for a period of time to find a new job. There is no reason why this outcome cannot be achieved through alternative private insurance providers. It is very disappointing that the proposal defaults to use of the ACC with no analysis of alternatives.
97. It makes sense to use ACC as the agency for delivering the insurance scheme, though it will mean the ACC is no longer an accident compensation organisation, but a more general provider of State insurance services. This will entail a considerable expansion of ACC, including new "return-to-work" case managers.
98. The MIA urges that consideration be given for employers to opt to go to private insurance providers. As long as the outcomes of the insurance scheme for workers are met, there is no reason why businesses cannot seek from alternative insurance providers.

### **XXXV. Funding income insurance (questions 85-92)**

99. What is proposed is effectively a flat-rate income tax. There should be analysis for how an insurance scheme would operate where there are differential levies based of the level of risk. Not to have differentiated levy rates means that there is cross-subsidisation between industries – in particular, that industries with stable, long-term workforces effectively subsidise industries that are unstable a with a high churn of workers (such as retail and hospitality).
100. As stated above, there is no reason why the same outcomes for workers (to avoid wage scarring in the event of them becoming redundant) cannot be done by alternative providers at a lower cost. Businesses should have the ability to seek their own private insurance provider and pay the rates appropriate for that business.
101. If there is not alternative providers allowed for under this proposal, and that all workers pay the same levy regardless of risk, then the simplest way would be to use the existing income tax system. There is no need to have an insurance levy if the levy is not based on risk or allow for alternative insurance providers, and is in effect an income tax.

102. It is misleading that employer and employee will be charged separately. The reality is that employer will end up covering the employee levy rate through increases in overall wage expectations.

## XXXVI. Summary

103. The proposals are largely a set of assumptions without supporting evidence. There should be data-based analysis of:

- What the public policy problem actually is – specifically, is there actually “wage scarring” and to what extent is this a problem?
- Why is the current universal welfare system not suitable for resolving this problem?
- Why is the existing system of unemployment insurance from private providers, redundancy in existing contracts, and individual savings, not sufficient?
- What will be the workers covered – what will be the impact on seasonal and casual workers, and self-employed?
- What is the suitable rate and time for encouraging workers back to work?
- Why a risk-based levy is not used? If it isn’t a risk-based levy and is a universal charge on all income, then why is an income-tax rate increase used?
- Can businesses opt out of the ACC-scheme and use private insurers to achieve the same coverage?

104. In general, a scheme that essentially incentivises workers to remain out of work for a long period could exacerbate an already difficult labour shortage for businesses, especially those in rural areas.

105. Much of the employment in meat processing is seasonal, with a significant portion of the workforce standing down or being laid off in the off-season. Meat processing is likely to be significantly affected by these proposals but it is not apparent how the proposals will affect a seasonal workforce. The evidence overseas is that unemployment insurance ends up fundamentally shaping the way seasonal industries work, and further analysis is needed on how it would affect seasonal industries before this scheme is considered further. Given the significance of seasonal work in the New Zealand economy (most of New Zealand’s exports are from seasonal industries), analysis on how this would affect seasonal industries should be a priority if this proposal is carried forward.

106. The industry already often has redundancy provisions in its contracts. Unemployment insurance would make those redundancy clauses redundant. If this scheme is considered further, then employers should be able to opt out of the scheme if they have redundancy provisions in employment contracts.

107. The MIA does **not** agree “New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities.” There is no obvious case for such a scheme in New Zealand; the existing welfare system (where workers who are made unemployed become eligible for a welfare benefit) functions well; nor has there been any constituency or group pushing for such a scheme. Such a scheme is likely to be disruptive for meat processing (with a reliance on seasonal workers) in particular, though given the lack of analysis it could either be very advantageous or extremely negative to the industry.

## MIA Contact

Meat Industry Association of New Zealand (Inc)  
26 April 2022

## Appendix 1: MIA members and affiliate members as at March 2022

Members	Affiliate members
Advance Marketing Ltd	Abattoirs Association of New Zealand
AFFCO New Zealand Ltd	AgResearch Ltd
Alliance Group Ltd	Alfa Laval New Zealand Ltd
Ample Group Ltd	Americold New Zealand Ltd
ANZCO Foods Ltd	AON New Zealand Ltd
Auckland Meat Processors Ltd	Auspac Ingredients Pty Ltd
Bakels Edible Oils (NZ) Ltd	Centreport Ltd
Ballande New Zealand Ltd	CMA-CGM Group Agencies (NZ) Ltd
Blue Sky Meats (NZ) Ltd	Cooltranz 2014 Ltd
BX Foods Ltd	G-Tech New Zealand Ltd
Columbia Exports Ltd	Haarslev Industries Ltd
Crusader Meats New Zealand Ltd	Hamburg-Sud New Zealand Ltd
Davmet (New Zealand) Ltd	Hapag-Lloyd
Farmlands Mathias International Ltd	Intralox Ltd
Fern Ridge Ltd	Kemin Industries NZ Ltd
Firstlight Foods Ltd	Liqueo (HB) Ltd
Garra International Limited	Maersk NZ Ltd
Global Life Sciences Solutions NZ Ltd t/a Cytiva	MJI Universal Pte Ltd
GrainCorp Commodity Management NZ Ltd	Moda Systems New Zealand Ltd
Greenlea Premier Meats Ltd	Oceanic Navigation Ltd
Harrier Exports Ltd	Port of Napier Ltd
Integrated Foods Limited	Port Otago Ltd
Kintyre Meats Ltd	PrimeXConnect
Lowe Corporation Ltd	Pyramid Trucking Ltd
Ovation New Zealand Ltd	Rendertech Ltd
Peak Commodities Ltd	Rockwell Automation (NZ) Ltd
Prime Range Meats Ltd	SCL Products Ltd
Progressive Meats Ltd	Scott Technology Ltd
PVL Proteins Ltd	Sealed Air (New Zealand)
SBT Group Ltd	SHICO Limited
Silver Fern Farms Ltd	Visy Industries Australia Pty Ltd
Standard Commodities NZ Ltd	Wiley New Zealand Limited
Taylor Preston Ltd	
Te Kuiti Meat Processors Ltd	
UBP Ltd	
Value Proteins Ltd	
Wallace Group	
Wilbur Ellis (NZ) Ltd	
Wilmar Gavilon Pty Ltd	