

SUBMISSION

A New Zealand Income Insurance Scheme

For:

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment
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Prepared on behalf of:

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INTRODUCTION

The Southland Business Chamber Board, management team and our members do not support the implementation of A New Zealand Income Insurance Scheme.

In our view now is not the right time to have the conversation around another cost to business owners.

The scheme comes at a time when businesses can least afford additional costs following Covid stricken trading periods, an additional leave day, increases to the minimum wage, increased leave entitlements, rising inflation and the current stress levels that we're currently seeing amongst business owners. Now is not the time to be adding additional stress to the business community.

WHO WE ARE

The business community generates the wealth on which our country and its citizens depend. It is for this reason that we make this submission. The Chamber is pleased to be able to present this submission on behalf of 567 Southland businesses that are our members.

The businesses that we represent are a broad cross-section of business demographics with regard to size, location and industry. Furthermore, these businesses are representative of the region's wealth generators as well as being owned, managed, and staffed by the region's core residents. As such, the Chamber's members are large stakeholders in the economic, social, cultural, and environmental future of the Southland Region.

SOUTHLAND BUSINESS CHAMBER SUBMISSION

The Southland Business Chamber surveyed its membership on the **A New Zealand Income Insurance Scheme** consultation. The following is a summary of the feedback received from our membership.

Q1. What is your level of agreement with each of the following proposals about the scheme?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
NZ should have an income insurance scheme for people who are made redundant or laid off	30%	40%	0%	20%	0%	10%
NZ should have an income insurance scheme for people who have to stop working or reduce their hours because of a health condition or disability	30%	20%	10%	30%	10%	0%
An income insurance scheme would be good for NZ economy	40%	30%	0%	20%	0%	10%
An income insurance scheme would be good for NZ workers	20%	10%	10%	50%	10%	0%
An income insurance scheme would be good for NZ employers	40%	50%	0%	10%	0%	0%

Q2. How important do you think it is that New Zealand has an income insurance scheme that provides financial support to....

	NOT AT ALL IMPORTANT	NOT THAT IMPORTANT	QUITE IMPORTANT	VERY IMPORTANT	DON'T KNOW
Allow people to take time to find a good, new job that matches their skills	30%	30%	40%	0%	0%
Allow people to learn new skills when their current skills are not needed, as old industries close down or new technologies replace work done by people	20%	20%	50%	10%	0%
Allow people to take time to deal with a health condition or disability	20%	30%	30%	20%	0%
Help businesses to find workers with the skills they need	20%	20%	40%	20%	0%
Give workers the confidence to join businesses in new sectors and industries	20%	20%	50%	10%	0%

Q3. What is your level of agreement with each of the following proposals about an income insurance scheme?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
Only New Zealand citizens and residents will be eligible for insurance payments	10%	10%	20%	30%	30%	0%
The scheme should cover redundancies and layoffs	30%	30%	10%	30%	0%	0%
The scheme should cover health and disability-related job losses	33%	12%	0%	33%	22%	0%
It's important that the scheme reflects the different ways population groups work (we know that Māori, Pacific peoples and women are more likely to have nonstandard working arrangements)	30%	20%	20%	20%	10%	0%

Q4. What is your level of agreement with the following proposal about an income insurance scheme.

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
People will need to have worked or been on statutory parental leave for at least six months in the past 18 months to be eligible.	10%	10%	30%	20%	30%	0%

Q5. In your view, should the following groups be covered by the proposed income insurance scheme?

	YES	NO	DON'T KNOW
Full-time permanent employees	80%	20%	0%
Part-time permanent employees	70%	30%	0%
Fixed-term and seasonal workers, up until they were due to finish	20%	80%	0%
Fixed-term and casual workers who can show a regular pattern of work with an employer and a reasonable expectation of future income	50%	50%	0%
People working multiple jobs if they lose a job that provides more than 20 percent of their income	40%	50%	10%

Q6. What is your level of agreement with each of the following proposals about the income insurance scheme?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
Workers should not be covered if they are dismissed for poor performance or misconduct, or if they quit their job	0%	0%	0%	10%	90%	0%
Payments should not be affected if the worker has any assets or they receive money from other sources	30%	20%	0%	30%	20%	0%
Payments should not be affected if others in their house continue earning	20%	20%	0%	30%	30%	0%
For redundancies and layoffs, to qualify, the job must end. A reduction in hours worked at the job is not covered by the scheme.	0%	10%	20%	50%	20%	0%
Permanent employees will be given four weeks' notice and their employer will continue to pay wages for four weeks at 80 percent when the job ends	50%	10%	10%	30%	0%	0%
Employers can seek a refund of some or all of the payment if they assist the worker to find work within the initial four-week period	10%	10%	20%	30%	30%	0%

Q7. What is your level of agreement with each of the following proposals relating to health conditions and disabilities?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
Only people who have a health condition or disability that means they must stop working or reduce their hours by at least 50 percent are eligible	10%	20%	20%	40%	0%	10%
Only people with health conditions or disabilities that are expected to last for at least four weeks are eligible	10%	30%	20%	30%	10%	0%
Employers should be encouraged to make reasonable attempts to accommodate the employee's health condition or disability through things like new equipment or flexible working arrangements	30%	30%	0%	30%	10%	0%
Employers should be encouraged to make reasonable efforts to hold the position open if the worker is likely to recover within six months	20%	20%	30%	30%	0%	0%

Q8. If workers lose their job, is the proposed payment of 80 percent of their usual salary (up to a salary cap of \$130,911 a year)

FAR TOO HIGH	TOO HIGH	ABOUT RIGHT	TOO LOW	FAR TOO LOW	DON'T KNOW
30%	10%	30%	10%	0%	20%

Q9. If workers lose their job, is the proposed amount of time of up to six months of financial support (with a further one month of payments for eligible claimants)

FAR TOO HIGH	TOO HIGH	ABOUT RIGHT	TOO LOW	FAR TOO LOW	DON'T KNOW
20%	30%	20%	10%	0%	20%

Q10. What is your level of agreement with each of the following proposals about the income insurance scheme?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
People receiving payments should be provided help to find work, if they need it	20%	0%	0%	70%	10%	0%
Case managers should be available to develop a return-to-work plan and encourage and motivate claimants in their job search, if they need it	20%	0%	10%	60%	10%	0%
It is important to ensure case management meets people's cultural and personal needs	20%	10%	10%	60%	0%	0%
Obligations on people receiving payments can be waived if someone's health condition or disability limits what they can do	10%	20%	20%	40%	10%	0%
Obligations on people receiving payments can be waived if people are in an approved training or rehabilitation programme	10%	10%	20%	60%	0%	0%
Claimants will need to be able to demonstrate that they are searching for and preparing for work	10%	0%	0%	20%	70%	0%

Q11. What is your level of agreement with each of the following proposals about the income insurance scheme?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
Claimants will need to accept a suitable job offer that matches their previous income and other terms and conditions	20%	40%	10%	20%	10%	0%
Insurance payments will be considered income so they will be taxed and used to work out if someone is eligible for welfare support	20%	30%	20%	10%	20%	0%
People can take on part-time paid work and earn up to 20 percent of their previous income without their insurance payments being affected	30%	30%	0%	20%	20%	0%
If there is non-compliance, people will be given notice and time to meet their obligations	20%	0%	10%	60%	10%	0%
If people fail to meet their obligations, after they have been given notice and time, insurance payments may be temporarily stopped	10%	0%	0%	30%	60%	0%
While financial support will be for a maximum of six months, this could be extended for up to 12 months for people undertaking appropriate training or vocational rehabilitation programmes	30%	20%	0%	30%	10%	10%

Q12. What is the most useful thing the scheme could do to help people return to work?

- It would give them time to recover. However, from what I have seen in the proposal it is a very expensive income protection scheme and should not be mandatory.
- Possibly providing a form of subsidy to the employer to encourage them to take someone on that has been out of work and a time frame to give the person a chance to prove themselves / get back into the swing of things.
- Encourage a quick return to work, even if terms may differ from previous job.
- Encouragement and training skills although there are many cleaning positions a New Zealander won't take.
- Keep out of the way. No one will look for work if there is free money floating around.
- Assist with retraining.
- This will be another burden in both business and taxpayers alike. New Zealand already has far too much welfare, and it is tipping the country over the edge.
- With this scheme I believe the only "thing" it will produce is unmotivated workers. Sitting out for six months while saying they are looking" for work. With this long out of the work force it then becomes extremely hard to get back into the working environment because why would you when you can sit at home and get paid up to \$100,000 a year.

Q13. What is your level of agreement with each of the following proposals about how the income insurance scheme will be run and funded?

	STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
Governance of the scheme will include representation by Business NZ	10%	0%	0%	30%	60%	10%
Governance of the scheme will include representation by New Zealand Council of Trade Unions	40%	10%	0%	40%	10%	0%
Governance of the scheme will include representation by Māori	30%	10%	30%	30%	0%	10%
It is appropriate that levies may need to be adjusted from time to time, depending on the number of claims and how long people receive financial support	30%	0%	30%	30%	10%	10%

Q14. What is your level of agreement with the following statement: The levy should be paid in equal share by employers and employees

STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
30%	10%	10%	30%	10%	10%

Q15. We want a scheme that honours the Treaty partnership (in governance, delivery, and evaluation). How do you think the scheme should honour the Treaty partnership?

- By being fair to everyone.
- Everyone should be treated equal.
- There is no partnership. It's not a partnership and never was.
- We are all equal and no preference should put one person above another -- ever ---.
- The treaty should not affect the outcome of the scheme.
- I think this a poorly thought about scheme. It's just another way to draw money out of small business owners.

Q16. Now that you have read about different aspects of the New Zealand Income Insurance Scheme, how important do you think it is that the scheme is introduced?

NOT AT ALL IMPORTANT	NOT THAT IMPORTANT	QUITE IMPORTANT	VERY IMPORTANT	DON'T KNOW
40%	40%	10%	10%	10%

Q17. What is your level of agreement that New Zealand needs the New Zealand Income Insurance Scheme?

STRONGLY DISAGREE	DISAGREE	NEITHER AGREE OR DISAGREE	AGREE	STRONGLY AGREE	DON'T KNOW
40%	30%	0%	20%	10%	0%

Q18. The scheme will be funded by levies on wages and salaries, with both workers and employers each paying an estimated 1.39 percent. Do you think that overall the scheme provides good value for money?

NOT AT ALL GOOD VALUE FOR MONEY	NOT VERY GOOD VALUE FOR MONEY	GOOD VALUE FOR MONEY	VERY GOOD VALUE FOR MONEY	DON'T KNOW
40%	30%	10%	20%	0%

Q19. Given the cost of the levies with both workers and employers each paying an estimated 1.39 percent of wages or salaries, how affordable do you think the levy will be for you?

NOT AT ALL AFFORDABLE	NOT THAT AFFORDABLE	AFFORDABLE	VERY AFFORDABLE	DON'T KNOW
40%	30%	10%	10%	10%

Q20. What do you think are the strengths of the scheme?

- Nothing.
- There are none.
- None at all - another tax burden this government is trying to introduce to cover their complete mismanagement of the economy.
- I'm struggling to see the strengths in this scheme. The only strength I can come up with is, It will suit people who like to take advantage of the Government, it's just another way people can get paid good money for sitting at home and doing nothing.
- People can survive when sick for a long period without having to go on sickness benefit and struggle to make end meet.
- Non underwritten.
- Help employees not get into financial difficulty in the event of loss of job. May help with training and return to work.

Q21. What do you think are the weaknesses of the scheme?

- It's another cost to the employers who are already struggling with high wages, Covid costs, extra holidays etc.
- It is an added expense when there is already income protection available for people who value the protection. This will just add another cost to already struggling businesses and individuals.
- Significant level of bureaucracy. Will be taken advantage of, which will lead to increase in costs. No personal ownership by the person being insured.
- It will be misused - the minimum work time is too short. Big bureaucratic / overhead.
- More money a small business has to pay. In the cleaning sector we don't have redundancies.
- High cost and poor outcomes and no benefit.
- There are already far to may benefits for people without work - there are plenty of jobs available for all - people need to move out of Auckland to take up these jobs!!!
- Again, it's going to increase inflation, as it's adding more cost to all businesses, it's taking money off all kiwis. It's basically a scheme that robs Peter to pay Paul.

Q22. Do you have any other comments you'd like to make about the scheme?

- If someone can't work because of health issues or disabilities, this should be covered by something different, as their long-term needs.
- I believe in personal ownership and believe that employees should consider their own risk and take sure insurance out themselves.
- This scheme is not suitable for all occupations. Another cost small business has to suck up.
- Government needs to keep out of people's lives and provide an economic environment for private enterprise to thrive.
- This should not go ahead.
- If you are trying to make life easier for people, lets reduce the tax on essential foods. New Zealanders' need more money in their pocket each week not less. On the numbers given we have under 2% of people (10,0000 people) getting made redundant / losing their job every year, but you want the other 98% (over 5 million people) to pay for them how does that even make sense.

CLOSING STATEMENT

As said in the introduction of this submission, The Southland Business Chamber Board, management team and our members **do not support the implementation of A New Zealand Income Insurance Scheme.**

It is our view that now is not the right time to have the conversation around another cost to business owners. The scheme comes at a time when businesses can least afford additional costs following Covid stricken trading periods, an additional leave day, increases to the minimum wage, increased leave entitlements, rising inflation and the current stress levels that we're currently seeing amongst business owners. Now is not the time to be adding additional stress to the business community.

The Southland Business Chamber submission is made in the positive spirit of developing a partnership with Government that supports and encourages business friendly innovation and growth for the benefit of all New Zealand. It is submitted on the bases that it provides feedback and the opportunity to further engage with the Government on a number of issues.

We are committed to joining and working with the Government to achieve our shared objectives.