

# CHiLD POVERTY ACTION GROUP



## Submission on the New Zealand Income Insurance Scheme discussion document (Feb 2022)

**This submission is from:**

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**Child Poverty Action Group (CPAG)** is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high level of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

## Summary

- The scheme is likely to impact adversely on child poverty and on welfare support
- Priority must be reform of the current welfare system to strengthen social assistance for adults and to provide an adequate income for all children,
- Welfare reform that reflects 21<sup>st</sup> century social norms and working environments best way forward.

## Introduction

The Tripartite Forum on the Future of Work<sup>1</sup> has put forward a proposal for a Social Unemployment Insurance (SUI) scheme. As outlined in a discussion document<sup>2</sup> the scheme is designed to address a range of problems that arise for workers who lose their jobs when their positions are disestablished.<sup>3</sup> For these displaced workers the proposed scheme would smooth income for seven months by paying 80% of their wages; it would provide access to retraining and education; and it would help workers find jobs.

The proposal for SUI has arisen through the recognition that ‘at present, relatively little support is available for people who lose work through no fault of their own.’<sup>4</sup> Indeed, New Zealand’s tattered social welfare assistance does little but ‘meet essential living costs and alleviate poverty.’<sup>5</sup> Threadbare income support, patchy and inadequate supplementary assistance, all rooted in archaic notions of family and gender, make going onto welfare a bleak prospect for most workers. Where jobs are lost *en masse* in small towns, as has often been the case in New Zealand, the ongoing impact on families and communities can be catastrophic.

The inadequacy of New Zealand’s welfare state is evident in its relatively high levels of child poverty, especially for children in benefit-income households. Although child poverty rates have inched down under the current government, they remain high. A SUI scheme fails to address the low incomes of people who have already lost their jobs through no fault of their own, and also fails to address the child poverty that will be exacerbated by the two-tier welfare system that will emerge from the proposed scheme.

It is the scheme’s impact on child poverty and on welfare support that is the focus of this submission. CPAG submits that the policy priority must be reform of the current welfare system to strengthen social assistance and to provide an adequate income for all children, and to better reflect 21<sup>st</sup> century social norms.

This submission considers:

- The scheme’s failure to acknowledge and address child poverty

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<sup>1</sup> See <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/future-of-work-tripartite-forum/> for all background documents.

<sup>2</sup> Future of Work Tripartite Forum (2022). *A New Zealand Income Insurance Scheme: A discussion document*. <https://www.mbie.govt.nz/have-your-say/income-insurance/>. Where ‘discussion document’ used in this submission, it refers to this.

<sup>3</sup> The discussion document calls these displaced workers, ie displacement is ‘the loss of work due to the disestablishment of a position.

<sup>4</sup> Discussion document, p7.

<sup>5</sup> Discussion document, p32.

- The failure of the scheme to integrate with existing systems and the emergence of a two-tier welfare system
- Impact on future welfare reform
- Impact on Māori and other disadvantaged groups.

#### Submission – key points

- CPAG submits that **the first line of defence for displaced workers and their communities is an updated, adequate social assistance system that avoids or minimises the risk of poverty for children and whānau. A well-functioning social support system would be a more effective economic stabiliser than SUI and have wider coverage in the event of an economic downturn.** The introduction of an SUI scheme is not a substitute for a comprehensive benefit system that is available to everyone, **regardless of their prior work status or income or relationship status.** An overhaul of the existing benefit system would be cheaper, more equitable and more financially sustainable than introducing a new system.
- The preferential treatment of SUI claimants when compared to those using the welfare system will result in a two-tier welfare system. The proposed initial levy is 2.77% to be split evenly between employers and workers. Despite the split, the impact is effectively a 2.77% tax on gross wages. The impact on incomes [for low-paid workers] is very significant.
- At an estimated cost of \$3.54 billion per annum, the proposed scheme represents a significant opportunity cost. Given that it is more favourable to better-paid workers in established jobs, this represents a major wealth transfer to the already better off.
- SUI that costs \$3.54 billion per year will effectively stymie much-needed reform of the benefit system well into the future. The poverty of many New Zealand children comes from being in families of workers who have already been displaced **through no fault of their own. There are no meaningful strategies to address the chronic poverty of these families and their communities.**
- Coverage for health and disability is unclear. There needs to be more specific protection for sick and disabled workers than the few paragraphs outlined in the discussion document.
- The scheme acknowledges low levels of income support for displaced workers who go into the benefit system. It states, however, that the scheme will not support workers who leave jobs to care for others even though they have contributed. It is very disappointing to see this discrimination against mostly-female caregivers.
- The proposed use of Active Labour Market Programmes (ALMPs) will be a significant cost to the scheme and mirrors their use in the welfare system to monitor claimant behaviour. ALMPS have a ‘modest at best’ impact and their use needs to be given careful consideration.
- The Forum has expressed a commendable commitment to ensuring the needs of Māori are met through the scheme. However, it ignores those Māori who are already in the benefit system and those struggling with disability who have already had to leave the workforce.

## The proposed scheme

At its heart, the proposal for SUI has arisen due to the recognition that ‘at present, relatively little support is available for people who lose work through no fault of their own.’<sup>6</sup> The Forum acknowledges that New Zealand’s social welfare assistance does little but ‘meet essential living costs and alleviate poverty.’<sup>7</sup> It goes on: ‘Recent reports (from OECD and WEAG<sup>8</sup>) have criticised the level and availability of financial support for displaced workers. The benefits system provides a safety net for eligible people out of work...But **take-up and eligibility for the means-tested benefits is low.**’<sup>9</sup> [emphasis added]

The income insurance scheme will provide a replacement rate of 80% of prior income (up to a cap of \$130,911, adjusted annually), for a maximum period of six months, plus an initial period paid by the employer (a ‘bridging payment’) for the first four weeks of unemployment. To qualify for insurance payments, workers would also need to have contributed to the income insurance scheme for six months or more over the 18 months preceding the claim. Statutory parental leave (paid and unpaid) would be included in the qualifying period.<sup>10</sup>

The proposed SUI would be funded by employers and workers. The costs of the scheme would be met through a compulsory levy paid in equal proportions by employers and employees. At an estimated cost of \$3.54 billion per annum, the proposed scheme represents a significant opportunity cost and given the scheme’s proposed structure, is potentially a major wealth transfer to the already better off.

The Forum has proposed an initial levy of 2.77 percent of salary and wages. This will be split between firms and workers, with each paying 1.39 percent. This reflects a total annual cost of \$3.54 billion (made up of \$1.81 billion for displacement and \$1.73 billion for health condition and disability claims). These all include Goods and Services Tax and administration costs. There are two concerning points in this proposal:

- The quantum of the levy
- The inequity of the split and potential future divergence.

The proposed levy of 1.39% on wages exceeds payments for ACC and is effectively a tax hike. As a flat rate, it will impact particularly harshly on low-paid and zero-hours workers. For middle- and high-income earners this is probably not a big deal. For workers on the minimum wage or who have variable hours, especially those that have children or are paying high rents, this is an unwelcome additional tax for limited benefit. While an increase of a few cents per \$100 in contributions would not impact on many earners, for low-income and variable hours earners, this is just another unwelcome burden that eats away at current disposable income and makes saving harder. For low-income whānau with children in precarious jobs and housing, the proposed levy is an unwelcome tax hike with no clear benefit. It may also preclude low-income earners from putting money into Kiwisaver or other savings: the proposed levy on top of ACC and 3% Kiwisaver is about 5.6% of gross

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<sup>6</sup> Discussion document, p7.

<sup>7</sup> Discussion document, p32.

<sup>8</sup> The Government’s Welfare Expert Advisory Group. <http://www.weag.govt.nz/weag-report/>.

<sup>9</sup> *Strategic Assessment*, p12.

<sup>10</sup> Discussion document, Chapter 7.

earnings. The additional employer contribution inhibits wage growth and so is effectively also an impost on the worker.

### CPAG criticisms of the scheme

Child poverty is stain on the New Zealand body politic. About one in five children in Aotearoa New Zealand lives in poverty – a figure that has remained constant for many years. Inadequate incomes blight the lives of children in both beneficiary and working households:<sup>11</sup>

*Living in poverty often results in long-lasting, poor outcomes for benefit recipients, their children, families and whānau, and society. Evidence is strong of the negative effects that poverty has on a wide range of children's outcomes, including cognitive development, school attainment, health and social, emotional and behavioural development...*

Given the profound impact of poverty on children's futures, it is disappointing that an important policy initiative with significant economic impacts and opportunity costs does so little to acknowledge, let alone address child poverty. The discussion document fails to outline any measures to address the poverty of those who have previously been made redundant; or put forward any concrete proposals on addressing the poverty of those already in work. The failure to acknowledge already-existing child poverty is a major flaw in the proposal's design and execution as outlined in the discussion document.

The proposed scheme does acknowledge the inadequacy of the current benefit system, and the preferential treatment of SUI recipients relative to beneficiaries. The scheme (1) effectively creates a two-tier welfare system; (2) will constrain much-needed welfare reform in the future; and (3) has notable shortfalls in coverage for marginalised workers. We consider these issues below.

### New scheme reveals current benefit system is woefully inadequate

Underlying the discussion document and background material from the *Future of Work*<sup>12</sup> and other Ministry websites, is the acknowledgement of the woefully inadequate support available through the existing benefit system; something that has been flagged for many years by CPAG and others including the Children's Commissioner. Indeed, if support for displaced or sick workers was adequate and easy to access then there would be no need for a Social Unemployment Insurance scheme. The key issues for displaced workers are sudden and probably dramatic loss of income if they find themselves at the mercy of the benefit system, and difficulties finding other employment at the same or better wages.<sup>13</sup>

The Labour government acknowledged problems in the existing welfare system when it set up its own Welfare Expert Advisory Group in 2018.<sup>14</sup> WEAG produced a comprehensive report with a suite of recommendations to bring the benefit system into the 21<sup>st</sup> century, including providing financial

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<sup>11</sup> <http://www.weag.govt.nz/weag-report/whakamana-tangata/executive-summary/many-new-zealanders-lead-desperate-lives-with-seriously-inadequate-incomes-this-must-change/>.

<sup>12</sup> <https://www.mbie.govt.nz/business-and-employment/employment-and-skills/future-of-work-tripartite-forum/>.

<sup>13</sup> The discussion document notes the prevalence and impact of wage scarring, p34.

<sup>14</sup> [www.weag.govt.nz/](http://www.weag.govt.nz/).

security and social security sufficient for an adequate standard of living; and keeping [the welfare of] children paramount.<sup>15</sup>

CPAG is disappointed that the Forum, the discussion document, and the background papers have ignored the WEAG report and recommendations. An overhaul of the existing system would be cheaper, more equitable and more financially sustainable than introducing a new system. It is discouraging that **children already in poverty will be left at the mercy of an unreformed benefit system under an SUI scheme**. CPAG submits the introduction of an SUI scheme is not a substitute for a comprehensive benefit system that is available to everyone, **regardless of their prior work, status or income or relationship status**.

#### Benefit system inadequacies highlighted by preferential treatment of SUI claimants

Currently payments under the benefit system are based on household income; that is if a claimant is in a relationship with someone who is earning, they may be ineligible for any benefit. Beneficiaries' incomes are closely monitored and overpayments are quickly clawed back, often with little regard for ability to pay. Benefit payments are also very low despite the increases 1 April 2022: \$315 per week for a single person over 25; \$440.96 for a sole parent and \$566 for a married couple with children.<sup>16</sup> Sitting atop these basic payments is an unwieldy, complex structure of additional means-tested payments and abatements, including but not limited to Accommodation Supplement and Special Benefit payments. As CPAG has noted many times, the complex and harsh abatements for allowances and core benefits is effectively a poverty trap for beneficiary families and a key contributor to child poverty.

In contrast to this, the proposed SUI scheme recommends:

- Payments are based on individual, not household income, so 'claimant does not face financial pressure to find an unsuitable job because they have an earning partner'<sup>17</sup>
- Payments are 80% of an earners' previous earnings (up to a cap of \$130,911)<sup>18</sup>
- Claimants can earn additional income to top up to 100% of their previous earnings without being financially penalised
- Claimants would not receive the In Work Tax Credit or Minimum Family tax credit but where applicable would be able to receive New Zealand Superannuation or the Veteran's Pension so long as the eligibility criteria (and any obligations) were met<sup>19</sup>
- Payments are not means tested
- Earned income is income from 'personal exertion', ie wages, salary or income from self-employment. This would mean that other income, such as from investments, would not affect entitlements for income insurance.<sup>20</sup> This stands in stark contrast to core benefit payments that include all income in the **income test and top up payments which are asset-tested as well as income-tested**.

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<sup>15</sup> <http://www.weag.govt.nz/weag-report/>.

<sup>16</sup> [Benefit rates at 1 April 2022 - Work and Income](#)

<sup>17</sup> Discussion document, p80.

<sup>18</sup> Note this is relatively high by international standards. See fn16 above.

<sup>19</sup> Discussion document, p83.

<sup>20</sup> Discussion document, p80.

Table 1 outlines the key differences between eligibility and payment basis between SUI payments and core benefit payments.

*Table 1: Main differences in eligibility and payment between Social Unemployment Insurance payments and core welfare benefits*

	<b>Social unemployment insurance</b>	<b>Social security benefits</b>
<b>Quantum</b>	80% of wages	Flat rates: \$315.00 per week for a single person over 25; \$440.96 for a sole parent and \$566.00 for a married couple with children
<b>Basis of eligibility</b>	Individual (partner's earnings not counted)	Household (generally anyone with an earning partner is ineligible for a full benefit if any)
<b>Criteria</b>	Displaced, must be available for work with pay and conditions of previous employment	No work but looking for any work. Payments will be cut if job is turned down for insufficient reason
<b>Time limit</b>	6 months with first 4 weeks covered by employer	Open ended but Jobseeker and Sole Parent support need to be in constant contact with WINZ
<b>Additional earnings allowed</b>	<ul style="list-style-type: none"> <li>To top up SUI to 100% of pre-displacement wage, 100% abatement thereafter</li> <li>Income from 'personal exertion' counted</li> </ul>	<ul style="list-style-type: none"> <li>Up to \$160 per week before tax, 70c in the \$ thereafter for JS single</li> <li>Up to joint \$160 per week before tax, 70c in the \$ thereafter for JS couple<sup>21</sup></li> <li>All income including from investments counted</li> </ul>
<b>Asset testing</b>	None	Asset testing for supplementary assistance

Moreover, the proposed SUI scheme provides an approach to work search requirements which is quite different from that set out in the social security legislation. SUI recipients would be 'expected to accept suitable offer of employment'.<sup>22</sup> They would not be expected to accept 'non-suitable offers 'such as those which did not offer pre-displacement wages or conditions'.<sup>23</sup> In contrast those receiving a social security benefit are expected and required to make themselves available for work with no consideration in the legislation of the appropriateness or quality or permanency of that work and no consideration of how it compares with their previous work conditions or income.

#### What does this mean for whānau on benefits?

For whānau already in the benefit system, the proposed scheme offers no relief, nor for those who become unemployed from this point until the final introduction of SUI some years in the future. The discussion document makes no mention of the WEAG findings, except to note the 'lack of support' currently available for displaced workers.<sup>24</sup>

<sup>21</sup> For more detail see [Wages deduction tables - Work and Income](#)

<sup>22</sup> Discussion document, p.113

<sup>23</sup> Discussion document, p.113

<sup>24</sup> Discussion document, p28.

## Creation of a two-tier welfare system

The addition of another independently calculated and funded payment for displaced workers on top of the existing inadequate, tightly tested and monitored income support system will effectively result in a two-tier income support system. The Ministry of Social Development notes that: 'UI schemes provide a "first tier" of relatively generous time-limited, individualised support to displaced workers.'<sup>25</sup> They also note: 'UI schemes alleviate poverty, **but not for the most impoverished as UI schemes only support those who recently had an established employment relationship** and involuntarily lost their job.'<sup>26</sup> As Social policy researcher Michael Fletcher says:<sup>27</sup>

*Because of the insurance focus on compensation for loss, rather than alleviating need, [SUIs] have the advantage of protecting even those with moderately high prior earnings from a sudden sharp reduction in income. At periods during the life cycle when outgoings are high (and savings low) this can be crucial in cushioning the impact. The flipside is that the distributional impact of social insurance schemes tends to favour the better off, relative to New Zealand's flatrate social assistance welfare.*

Worryingly, the groups most likely to miss out on the 'generous' first tier payments will be those who are already most disadvantaged by the labour market/income support systems. For children especially, the stigma and economic hardship that will invariably be attached to being on a benefit will be even more pronounced than it is already.

In effect, SUI, as outlined in the discussion document, creates a privileged group of redundant workers – those with well-paid, well-established jobs – and others, including some non-standard workers, the pre-existing redundant, sole parents and disabled beneficiaries who will be left to the benefit system.

CPAG submits that **the first line of defence for displaced workers and their communities is an updated, adequate social assistance system that avoids or minimises the risk of poverty for children and whānau**. CPAG has deep concerns about the implementation of a SUI scheme when the case for reform of the welfare system is overwhelming. WEAG's recommendations for reform have, sadly, been largely ignored.<sup>28</sup> Implementation of the proposed SUI scheme will likely see welfare reform pushed out well into the future, if it happens at all.

## The cost of Unemployment Insurance will constrain future reforms to the benefit system

The discussion paper does not situate the proposed scheme within the context of existing social support or fiscal policies. Both MSD and others<sup>29</sup> note that the fiscal costs of supporting the scheme in a recession would be in the order of \$5 billion dollars.<sup>30</sup> This will make efforts to increase income support payments through the benefit system very difficult in the future. The Joint Report states it

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<sup>25</sup> fn 35, p3.

<sup>26</sup> fn 35, p5.

<sup>27</sup> fn 41, p77.

<sup>28</sup> <https://www.cpag.org.nz/news/govt-yet-to-fully-implement-a-single-key/>.

<sup>29</sup> Joint Report: Enhancing support for displaced workers and other people who lose their jobs. MBIE, MSD, IRD, DPMC and Treasury. Not online yet, available on request.

<sup>30</sup> See <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/official-information-responses/2021/january/20210106-request-for-9-reports-held-by-msd-regarding-covid-and-related-benefits.pdf>, p32.

will come at a 'significant cost...Direct costs include the higher [80%] payments, the cost of ALMPs,<sup>31</sup> establishment and administration costs...'<sup>32</sup> The proposed initial cost of the scheme is \$3.54 billion **per year**.<sup>33</sup> To put that in perspective, the 2021 Budget increased benefit payments and allowances for tertiary students by \$3.3 billion **over four years**. Adding to the cost – and the generally inequitable framework of the proposed scheme – is the fact that no attempt appears to have been made to balance the relative risk of becoming displaced, i.e. those at risk of redundancy are being (heavily) subsidised by those at very low risk such as medical professionals.<sup>34</sup>

#### Implication for tax credits for children

There is no indication from the discussion paper as to how the scheme would integrate – if it does – with the current benefit payment system. MSD stated that: 'A UI scheme would have significant implications for the welfare system...Consideration could be given to including elements of a UI scheme within the current welfare system.'<sup>35</sup> Yet the proposed SUI scheme has been presented as stand-alone even though it would overlap with other social support such as Working for Families (WFF).<sup>36</sup> MSD observes:<sup>37</sup>

*How a UI scheme or a more generous, time-limited payment within the welfare system interacts with other forms of income support is a key consideration; as is who is impacted. **Coordination across the system of support is needed** to avoid unintended consequences. [emphasis added]*

Unfortunately and confusingly, a Joint Report of Ministry of Business, Innovation and Employment (MBIE) and other Ministries on SUI has a section (Annex 3) called 'Example families and social insurance: Initial analysis' that has been redacted<sup>38</sup> so the public is in the dark about what the impact will be. We have no way of knowing whether the analysis included families already on benefits or if this group has been omitted from the analysis.

*Some Working for Families tax credits, such as the In-Work Tax Credit and Minimum Family Tax Credit, are designed to encourage people into employment, ensure people are better off in work than on a benefit, and help with in-work costs. Therefore, they are generally only paid to people in employment. Consistent with the purpose of these tax credits, the Forum proposes that income insurance claimants would not be eligible for the In-Work Tax Credit or Minimum Family Tax Credit.*

For displaced workers eligible for WFF top-ups, this means losing a job would see that person's income fall to 80% of their previous earnings, and they would lose the In-Work Tax Credit (IWTC) for their children. Some commentators have clearly assumed that the eligibility for the IWTC would

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<sup>31</sup> Active Labour Market Policies. Discussed pp38-39 of the discussion document.

<sup>32</sup> Fn **Error! Bookmark not defined.**, p17.

<sup>33</sup> Discussion document, p11.

<sup>34</sup> <https://www.stuff.co.nz/business/opinion-analysis/128188697/why-i-should-support-the-governments-income-insurance-scheme--but-dont>.

<sup>35</sup> *Unemployment insurance models and considerations for New Zealand*. MSD Report to Minister, 9 June 2020, p2. Available [here](#).

<sup>36</sup> Integration of SUI with the current benefit system and WFF will be covered in a separate Issues paper by CPAG.

<sup>37</sup> fn 35, p6.

<sup>38</sup> fn 29, pp27-32.

continue (as it does for paid parental leave and ACC after 3 months)<sup>39</sup>. Matt Nolan illustrates the degree of confusion there is around receiving the In-Work Tax Credit while on SUI:<sup>40</sup>

*Take a sole parent working 30 hours a week at Countdown Onehunga on the minimum wage. If the scheme was introduced as is, this person would need to sacrifice some of their income to pay this levy. Now what happens if the store shuts down, and they need to claim the income insurance? Well, they'll receive nothing more than they would get now from job seekers support and related family payments - and the only increase would come from them still being eligible for the in work tax credit, not from the income insurance itself.*

The Forum has argued that someone receiving the In-Work Tax Credit while working would not receive it once they were receiving SUI because 'the point of WFF tax credits are to encourage work.' CPAG has argued for many years the purpose of these tax credits is to support children and families. It is disheartening that this has not been given more thought in the discussion document. Other issues include impact on income supplements such as the Accommodation Supplement, and whether SUI recipients would be eligible for third-tier emergency assistance.

If the SUI scheme proceeds, at a bare minimum **individual entitlement, increased additional earnings thresholds and access to the full WFF tax credits for beneficiary families must be implemented as a matter of urgency.**<sup>41</sup> In this context, it is worth noting that when eligibility for SUI ceases, the recipient, if unable to find work, would face a significant drop in income as s/he was transferred to a social security benefit.

#### Shortfalls in coverage

##### *Coverage for health conditions and disability is unclear*

The scheme covers displaced workers and those who lose their jobs because of health conditions or disability. The treatment of disabled workers is a long-standing inequity in the welfare system. Injured workers are covered by ACC; those who get sick are not. People with a health condition or disability make up 54% of all main beneficiaries,<sup>42</sup> and disabled children, as well as those living in a household where there is a disabled person, are over-represented in child poverty statistics.<sup>43</sup>

The discussion document outlines some difficulties with making workers with health conditions eligible for income support under the scheme. It notes: 'Workplaces and organisations also benefit from better supporting workers with health conditions and disabilities,'<sup>44</sup> but leaves open the question of what conditions and circumstances would be covered. This raises the concern that an insurance scheme would not adequately protect sick or disabled workers and that they would end up in the benefit system. If workers are contributing to an insurance scheme, **there needs to be**

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<sup>39</sup> [Types of Working for Families payments \(ird.govt.nz\)](https://www.ird.govt.nz/types-of-working-for-families-payments)

<sup>40</sup> <https://www.interest.co.nz/public-policy/115343/matt-nolan-argues-governments-push-unemployment-insurance-scheme-should-be>.

<sup>41</sup> See also Michael Fletcher (2020). *Government's Income Support Responses to the Covid-19 Pandemic*, <https://ojs.victoria.ac.nz/pq/article/view/6560>.

<sup>42</sup> <http://www.weag.govt.nz/background/welfare-system-statistics/>.

<sup>43</sup> <https://www.stats.govt.nz/news/child-poverty-statistics-for-households-with-disabled-people-released-for-the-first-time>.

<sup>44</sup> Discussion document, p98.

**more specific protection for sick and disabled workers** than the few paragraphs outlined in the discussion document.

#### *Eligibility of non-standard workers*

There is a significant portion of the New Zealand workforce that is what the discussion document calls the 'non-standard workforce', a group estimated to be in the region of 530,000 workers. Because the proposed scheme is compulsory, there are significant equity issues around workers in short-term or zero-hours jobs contributing to a scheme from which they may not benefit should they themselves be displaced. The proposal recognises the possibility of inequitable outcomes, noting: 'Casual workers are more likely to be women (55 percent) and are generally younger, with 44 percent aged 15 to 24 years. While the greatest number of Māori are in permanent full-time work, as a proportion, they over-represented in casual work as are Pacific people,' and that 'the impact on incomes [for low-paid workers] is likely to be material.'<sup>45</sup>

The document outlines the impact of the levies on the incomes of low-paid and non-standard workers<sup>46</sup> and observes that many non-standard workers are already on low incomes (so they would receive less even if they could demonstrate that they had been 'displaced'). It is less certain on how non-standard workers might demonstrate their income loss.<sup>47</sup>

*In defining 'reasonably anticipated income', it can be useful to identify an 'established pattern of work'. Part-time, casual and other non-standard workers might not have employment agreements that state their expected hours or conditions. Because insurance is intended to substantially replace 'actual' losses, the true nature of the employment arrangement – as shown by established work patterns – is more important than what appears in any written employment agreement.*

'Established work patterns' is not a clear basis for income replacement. It is concerning that many non-standard workers are young (and thus may not have 'established work patterns') and are women. Women with child-care responsibilities tend to work part-time or on a casual basis so they have time to care for children. If they cannot demonstrate an 'established work pattern' they will not get any benefit from the scheme but be left back with the benefit system, with all that entails (as outlined above) despite having had to contribute. **The criteria for covering non-standard workers needs to be much more clearly defined.**

#### *No coverage for those who leave work to care for a family member*

People who leave a job to care for a family member will not be eligible for income support, even where they have contributed to the scheme. Since it is women who are most likely to care for family members and children, the scheme already has a built-in inequity that must be addressed. The discussion document blithely states:<sup>48</sup>

*Financial help and other support for carers is available through the welfare and health systems, including Funded Family Care, which has changed to pay partners and spouses to look after family members and those caring for children under 18 years.*

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<sup>45</sup> Discussion document, p43.

<sup>46</sup> Discussion document, pp43-44.

<sup>47</sup> Discussion document, p31.

<sup>48</sup> Discussion document, p51.

In other words, a scheme designed for workers to side-step the welfare system and its low levels of income support will not support workers who leave jobs to care for others even though they have contributed. This group of workers will join the undeserving on the second tier of the welfare system. **It is very disappointing to see the endorsement of this discrimination against mostly-female caregivers.**

## SUI and the commitment to te Tiriti

Recognition that Māori more likely to be displaced...

The discussion document devotes a chapter on the benefits that would accrue to Māori under SUI. It notes:<sup>49</sup>

*We expect the scheme will especially benefit Māori workers, because they face a greater risk of job loss due to displacement or a health condition or disability. Because entitlements are based on an individualised assessment, eligibility is wider than welfare, so more whānau will be supported following loss of work.*

As discussed above, Māori are also more likely to be in the non-standard workforce and tend to be in occupations more adversely affected by economic downturns.<sup>50</sup>

The discussion document suggests that for Māori the scheme might provide a basis for improving qualifications and therefore job opportunities while receiving SUI.<sup>51</sup> This is a curious conclusion: it suggests that a 7-month stint on unemployment insurance, supported by an ALMP of dubious efficacy, would be sufficient to lift skills and qualification levels where previous training and education have failed. The discussion document offers no evidence for this claim.

The proposed scheme will also be available to workers who lose their jobs through disability (although it is not at all clear how that would work). This is a critical issue for Māori as the discussion document notes:<sup>52</sup>

*One-in-five Māori report having a disability, and due to the young Māori population and higher susceptibility of Māori to disabling health conditions as they age, the incidence of disability is expected to increase. Māori disproportionately leave jobs because of a health condition or disability and generally have worse health outcomes than non-Māori. The governance and delivery of the scheme will need to ensure it also meets the needs of Māori with disabilities and health conditions and their whānau.*

This commitment to ensuring the needs of Māori are met is commendable, but it ignores those Māori struggling with disability who have already had to leave the workforce and are reliant on the benefit system. The discussion document points to services already in place for better service delivery for Māori,<sup>53</sup> but in the end notes: **'It will be important to continue with efforts to ensure**

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<sup>49</sup> Discussion document, p49.

<sup>50</sup> <http://www.weag.govt.nz/weag-report/whakamana-tangata/delivering-for-maori/>.

<sup>51</sup> Discussion document, p50.

<sup>52</sup> Discussion document, p50.

<sup>53</sup> Discussion document, p50.

**that levels of benefits improve and Māori currently not in employment are also able move into good work.**<sup>54</sup>

WEAG notes that 50% of Māori children grow up in a household reliant on a main benefit for income. Growing up in a jobless household is a major contributor to poor outcomes for children.<sup>55</sup> This is largely a historical legacy of colonisation and employment in occupations that have been gutted in the last few decades including in such areas as manufacturing, forestry, railways and the post office. As a matter of equity it is vital that the historical legacy of poor labour market outcomes for Māori and Pacific people is addressed through the labour market, and any potential SUI has a much stronger commitment to improving outcomes for Māori and other disadvantaged workers than is evident in the discussion document.

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<sup>54</sup> Discussion document, p50.

<sup>55</sup> Ibid fn50.