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Submitted via: [incomeinsurance@mbie.govt.nz](mailto:incomeinsurance@mbie.govt.nz)

Social Unemployment Insurance Tripartite Working Group  
Ministry of Business, Innovation and Employment  
Wellington

**RE: A New Zealand Income Insurance Scheme**

No whānau in Aotearoa should have to endure extended hardship because of displacement or loss of work due to a health condition or disability.

FinCap welcomes the opportunity to comment on the Income Insurance Scheme Discussion Document (discussion document). The purpose of our submission is to comment on the implementation of this scheme, to ensure that the potential for causing hardship is considered in each step and amended where necessary. We want a future without hardship in Aotearoa.

We also comment on how the consideration of equity and prosperity for Māori in this scheme can be delivered. Muaūpoko Tribal Authority works in partnership with FinCap, with the collective goal of creating prosperity for whānau in Taitoko.

We expand further on these comments under a number of questions in the submission below.

**About FinCap**

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 200+ local, free financial mentoring services across Aotearoa. These services support more than 70,000 people in financial hardship annually. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

FinCap and Muaūpoko Tribal Authority (MTA)<sup>1</sup> work in partnership, addressing the challenges that are faced by whānau in Taitoko. The income insurance scheme will likely have an impact on the lives and wellbeing of whānau and children in Taitoko. We need to ensure that these impacts are positive and contribute to whānau prosperity.

**Chapter 4 - How a new income insurance scheme could achieve our objectives**

*Q1. Do you agree New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities?*

Social income insurance decreases the likelihood and extent of hardship for whānau that experience redundancy or loss of work due to a health condition or disability.

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<sup>1</sup> See more about Muaūpoko Tribal Authority here <https://muaupoko.iwi.nz/wp/>

However, ensuring that the scheme is implemented in a way that genuinely benefits those who need it most is crucial. We expand on these comments in the questions below regarding coverage and eligibility.

The below case study has been included to illustrate the challenges that occur when job loss is experienced by a whānau.

#### **Case study 1**

A woman came into our financial mentoring service just before Christmas because she and her partner had lost their jobs. One worked as a nurse and the other as a residential support worker. The couple were preparing for Christmas and the arrival of three children, aged five, seven and nine for the holiday period. The couple were unsure how they were going to be able to feed the children and get them presents. They were also worried about being able to maintain payments for the house that they owned. The financial mentor working with them helped them to create a budget, debt schedule, and Kiwisaver hardship application. They also organised a food parcel for the whānau, which helped to alleviate some of the stress for this whānau.

#### **Chapter 5 - Honouring Te Tiriti o Waitangi**

*Q2. How can we ensure the proposed income insurance scheme honours Te Tiriti o Waitangi?*

We have sought advice from our Māori partners for this submission. It is important to acknowledge here that priority and consideration of feedback must be given to Māori throughout the entire process of this scheme's creation and delivery. This scheme needs to work with integrity and collaboration with Māori and keep the principle of active protection at the forefront. The scheme must keep abreast of the extent and nature of outcomes for Māori and ensure that real insights into the effectiveness of the scheme are realised.

*Q3. What are the opportunities for partnership and Māori representation in the proposed income insurance scheme's governance and operations?*

We recommend the implementation of governance groups. These groups could protect and represent the interests of populations that should be eligible for this unemployment insurance scheme. These groups could be comprised of employers and employees, across different sectors and with different work types. These groups can protect the interests of populations to ensure that this scheme truly meets the needs of those that need it most.

Building authentic relationships with iwi and Māori communities is key. Ensuring that Māori are included in the design, delivery and monitoring of the scheme to confront discriminatory practices, will increase the likelihood of this scheme's success. Muaūpoko Tribal Authority and FinCap are open to working with the Tripartite Working Group to focus on the details and ensure that the benefits of this scheme are realised for Māori.

*Q4. How can we ensure equity of access, participation and outcomes for Māori in the proposed income insurance scheme?*

Ensure that those who administer this scheme are culturally safe in their practices and focus on quality through codes of conduct, standards and processes. It is important that competency and conduct issues are addressed in a way that reflects the schemes obligations to Te Tiriti o Waitangi.

*Q5. How can we reflect and embed te ao Māori in the proposed income insurance scheme's design?*

The scheme's design should reflect the right for Māori to be Māori and to exercise self-determination over their lives and to live on Māori terms according to Māori philosophies, values and tikanga. It is

important to acknowledge that this income insurance scheme for Māori is a journey and the scheme's responsiveness to Māori and Te Tiriti o Waitangi should be improved and monitored along the way.

As the discussion documents notes on page 50, Māori are over-represented in the categories of casual and fixed term working arrangements. Māori need to be able to access what this scheme can provide. These considerations regarding the eligibility of different working arrangements are discussed further below questions 11-13.

Also mentioned in the discussion document is the role of carers in a whānau, where work is stopped completely or partially due to the illness of another member of the whānau and the need to take care of them. Although there is alternative support through the Funded Family Care system, it highlights a need for consideration of the different natures and understandings of work.

Prosperity means more than just financial gain for whānau and tamariki. The ability to play with other children, to enjoy time spent with members of the community and together on the marae are important parts of prosperity. Work also means more than the traditional understanding of a paid position. Work can add value to whānau life, and voluntary mahi that supports the functioning of communities should be valued. Clarity should be gained as to what is important to workers, across all sectors and areas of Aotearoa.

## **Chapter 6 - Coverage for displaced workers**

*Q6. Do you agree with defining displacement as the involuntary loss of work due to the disestablishment of a job?*

There should be complete clarity on the definition of displacement. If whānau expect to be covered by this scheme but are not, then this can cause harm due to any decisions that are made under a different understanding. With the implementation of this scheme there must be complete clarity and consistency in communicating when a worker is eligible for coverage. For example, where work has been lost due to redundancy, it should be made clear that this is defined as being when employment is terminated because their position is disestablished.<sup>2</sup>

FinCap supports the inclusion of high-income households as being at risk of financial hardship due to job loss. Everyone can become vulnerable, and larger incomes can mean higher expenditure that can turn to situations of hardship following unexpected job loss due to health or disability, or displacement.

*Q11. Do you agree that it is important to provide income insurance coverage to non-standard workers, where practical?*

Yes, it is important to ensure that fixed-term, seasonal and casual workers have true visibility of and accessibility to this scheme and are not overlooked. There are whānau that rely on the income provided through these employment types, and this must be considered.

*Q12. Do you agree that income insurance should cover the 'loss of reasonably anticipated income'?*

For many part-time and casual workers, rosters are constantly changing and are unpredictable. It is important that this scheme takes this into account and allows flexibility in the definition of 'loss of reasonably anticipated income.'

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<sup>2</sup> Labour Relations Act 1987, section 184(5)

[https://legislation.govt.nz/regulation/public/1987/0226/latest/whole.html?search=sw\\_096be8ed80bb733d\\_184\\_25\\_se&p=1](https://legislation.govt.nz/regulation/public/1987/0226/latest/whole.html?search=sw_096be8ed80bb733d_184_25_se&p=1)

*Q13. Do you agree that income insurance entitlements should be based on an 'established pattern of work'?*

As mentioned above under question 12, for many part-time and casual workers, their rosters and scheduled shifts are constantly changing. Where work is reliant on peak seasons, staffing capacity, or events, then these workers may have differing schedules each week.

The discussion documents' mention on page 31 of looking at true patterns of work rather than determining patterns through written employment agreements is a good initial framing of this issue. For many, any hours or patterns that may be governed in the employment agreement will be irrelevant for the day-to-day reality. Even the real pattern of work may be difficult to predict.

Therefore, to increase the chances of this scheme being truly beneficial for those that need it most, we again recommend flexibility, generosity, and true engagement with workers in these categories. This could help to inform the suitability of basing entitlements on an 'established pattern of work.'

### **Chapter 7 – Entitlements for displaced workers**

*Q43. Do you think the scheme should allow extensions to the base period of income insurance entitlements for training or vocational rehabilitation?*

Yes. Every whānau has different challenges and experiences. Working personally with a claimant to understand what length of time will benefit them the most, will further the effectiveness of the scheme.

### **Chapter 9 – Insurance claimants' obligations**

*Q67. Do you think that financial penalties should be in place for people who do not meet their obligations while receiving insurance payments?*

No. This would cause further harm to a whānau that may already be facing challenges and stress due to recent unemployment. We recommend that the case management support workers are trained to have non-judgmental and supportive conversations with claimants that are struggling to meet certain obligations.

*Q68. Do you agree that payments could be fully suspended in cases of serious, intentional non-compliance with obligations?*

No. suspending payments would have severe consequences on whānau and community. Taking away pay while a claimant is non-complaint could lead to serious harm, especially where there are children reliant on the income of their parents. Non-compliance consequences should be minimal or else the benefits and purpose of this scheme may be undermined.

*Q69. Do you think any other consequences should be in place for people repeatedly not meeting their obligations, such as permanent suspension of entitlements?*

No, we refer again to our points above about the harm that this would cause. The discussion document proposes that claimants do not have to accept unsuitable jobs but do have to accept suitable offers. There should be clarity on what a 'suitable job offer' means.

We recommend that the definition of 'suitable offers' is expanded to align with the above-mentioned understandings of prosperity for whānau. Genuine and judgement-free conversations should be had with claimants to understand what suitability looks like for them. This would support our recommendations under questions 2-5, under 'honouring Te Tiriti o Waitangi.'

The discussion document mentions the potential effectiveness of supportive case management. In this case, financial mentors provide the ultimate service. Where non-compliance is suspected, financial mentors are trained to discuss with clients the root issues that are causing financial hardship. From an administrative viewpoint if a claimant declines a job offer that appears suitable, there should be conversation with the claimant rather than resorting to non-compliance consequences.

#### *Q74-77. Support for returning to work*

Income shock occurs when income substantially drops in short space of time. Although 80% of their previous income will greatly support whānau following displacement, this is still a significant decrease. Financial mentors play an important role in supporting financial wellbeing for whānau. The Tripartite Working Group should consider how financial mentors will play a role in this scheme and ensure that funding is provided where financial mentors are playing a role in supporting the success of the scheme.

Financial mentors could also play a crucial role for those that do not find a job replacement after the seven months of coverage. To avoid further harm to whānau, which would undermine the positive aspects of this scheme, a holistic support system should be considered.

Financial mentors have spoken to the fact that everyone experiences hardship differently, and some may be hesitant to ask for support when it's needed. Because of this, there should be several options available for support. While the implementation of case workers is a good start, financial mentors could be specifically included in this category. Financial mentors build strong relationships with the whānau they walk alongside and may be in the best position to truly support those who have been displaced. This would require additional funding to support their work.

#### **Additional comments**

FinCap is concerned that some insurance products provided by commercial providers have unfair terms and conditions. If the Social Insurance scheme is progressed it may help displace such products from the market or help arguments that such products were always unsuitable and should be unwound and refunded. Examples of such products that are sometimes explained as covering financial obligations where someone loses income despite many exclusions include Payment Protection Insurance. A recent report from the Commerce Commission showed that such products are very low value along the lines of findings by the Australian Securities and Investments Commission.<sup>3</sup> Financial mentors are very frustrated to see payments for these junk 'add on' insurances making third party motor vehicle insurance unaffordable for whānau when this is actually of value.

We welcome any work that helps whānau avoid harm from unfair insurance policies that leave them exposed and with less money for food. While work is commencing on fair conduct requirements for Insurers following the Conduct of Financial Institutions review, Social Insurance could help ensure future insurance product design from commercial providers offer outcomes for communities.<sup>4</sup>

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<sup>3</sup> See <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2021-releases/21-189mr-asic-releases-guidance-and-customer-information-requirements-to-implement-the-new-add-on-insurance-deferred-sales-model/>

<sup>4</sup> See <https://comcom.govt.nz/news-and-media/media-releases/2021/commission-releases-report-on-motor-vehicle-financing-and-add-on-products>

Please contact Janeka Rutherford-Busck, policy advisor at FinCap on 027 261 3690 or at [janeka@fincap.org.nz](mailto:janeka@fincap.org.nz) to discuss any aspect of this submission.

Ngā mihi,



Ruth Smithers  
**Chief Executive**  
**FinCap**