

26 April 2022

Social Unemployment Insurance Tripartite Working Group
Ministry of Business, Innovation and Employment
PO Box 1473
Wellington 6145

By email: incomeinsurance@mbie.govt.nz

MTA feedback on A New Zealand Income Insurance Scheme

Introduction

The Motor Trade Association (Inc) (MTA) was founded in 1917 and has maintained over 100 years of trust with the NZ motoring community. MTA currently represents over 3,800 businesses within the New Zealand automotive industry and its allied services. Members of our Association operate businesses including automotive repairers (both heavy and light vehicle), collision repair, service stations, vehicle importers and distributors and vehicle sales. The automotive industry employs approximately 60,000 New Zealanders and contributes around \$3.5 billion to the New Zealand economy.

Submission

MTA welcomes the opportunity to comment on the proposed New Zealand Income Insurance Scheme.

In preparing this submission, MTA asked its members what they thought about the scheme, a summary of the survey results can be found in the **Schedule**.

In short, MTA strongly opposes the proposed Income Insurance Scheme. The MTA members responding to the survey **overwhelmingly disagreed** (73.3%) with the introduction of the scheme. Additionally, 83.4 per cent of respondents indicated the scheme in its proposed form would be **unaffordable**.

What is the problem that this scheme is trying to solve?

New Zealand has some of the strongest employment protection laws in the OECD when it comes to dismissals, with a heavy emphasis placed on the process used to dismiss an employee even when good reason exists. We also have an established welfare system to deal with the situations the scheme wants to address.

The consultation document told us that an estimated 115,000 people are displaced each year, however this number is not indicative of the need for an income insurance scheme. New Zealand's

record low unemployment rate proves we have a functioning labour market and that displaced employees are able to find new employment quickly.¹

There is no need for further schemes aimed at people losing their jobs, New Zealand's low unemployment rate coupled with targeted welfare support for those in need proves this.

Businesses are suffering

Right now, businesses are facing a multitude of challenges. We are seeing significant labour market shortages, new regulations, the lingering impacts of Covid 19 and war in the Ukraine.

MTA members are seeing increased costs at every turn, this is the worst possible time to introduce an income insurance scheme.

83.4 per cent of respondents stated that the scheme would be **unaffordable** for them. MTA is aware some small businesses have taken on loans to pay their employees, and many are questioning whether they will be able to remain in operation. These businesses play a crucial role in ensuring New Zealanders can move around the motu safely, they are an essential service we cannot afford to lose.

In responding to our survey, MTA members told us:

This type of scheme is a disincentive for people to work

There is nothing within this intended policy I agree with. If an employee wants this type of cover, there are options available now. There is no way this is necessary and all it is an extra cost to employers and employees. What is the incentive to find another job if you are going to get paid the proposed amount?

Times have become very hard for the work force. Why Tax them further.

I feel I will be subsidising other industries / employers who are having to lay people off.

I don't think there should be a compulsory government scheme. We have private income protection insurance and that is our choice.

¹ In 2020 the annual unemployment rate for New Zealand was 4.6% compared to the OECD average of 7.2%. In February 2022 the NZ unemployment rate was 3.2%.

Many of our members shared that income insurance should be a personal decision, and one that should be made by the employee. Over 70 per cent of respondents **disagreed** that the levy should be paid in equal share by employers and employees, stating it should be funded by the worker.

Now is simply not the right time to introduce a scheme of this scale. This is a scheme that will impact everyone but only a few will receive the benefits.

Aside from the 'what problem are we trying to solve' question, there are many other unanswered questions about how the scheme will affect existing contractual redundancy provisions or personal income insurance policies which must be given further consideration.

Just because we are outliers in the OECD by not having an income insurance scheme, it does not mean there is a need for one.

A summary of our survey results can be found in the Schedule below, raw data has been attached a separate excel spreadsheet in our email to incomeinsurance@mbie.govt.nz.

Thank you for the opportunity to provide comment on the proposed Income Insurance Scheme.

Yours sincerely,



Greig Epps
Advocacy & Strategy Manager

The contact person in respect of this submission is:

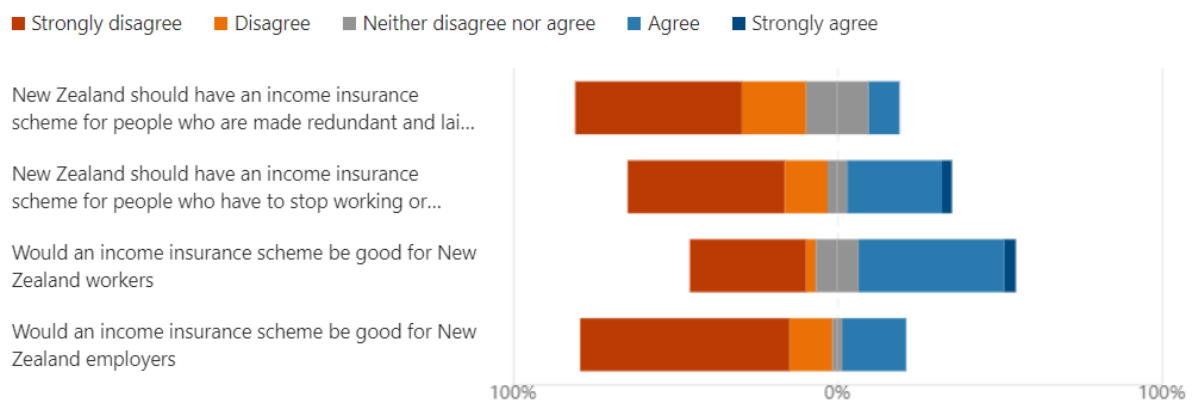
Name: Nicole Chelmis
Title: Legal & Policy Advisor
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Schedule – MTA Member Survey Responses

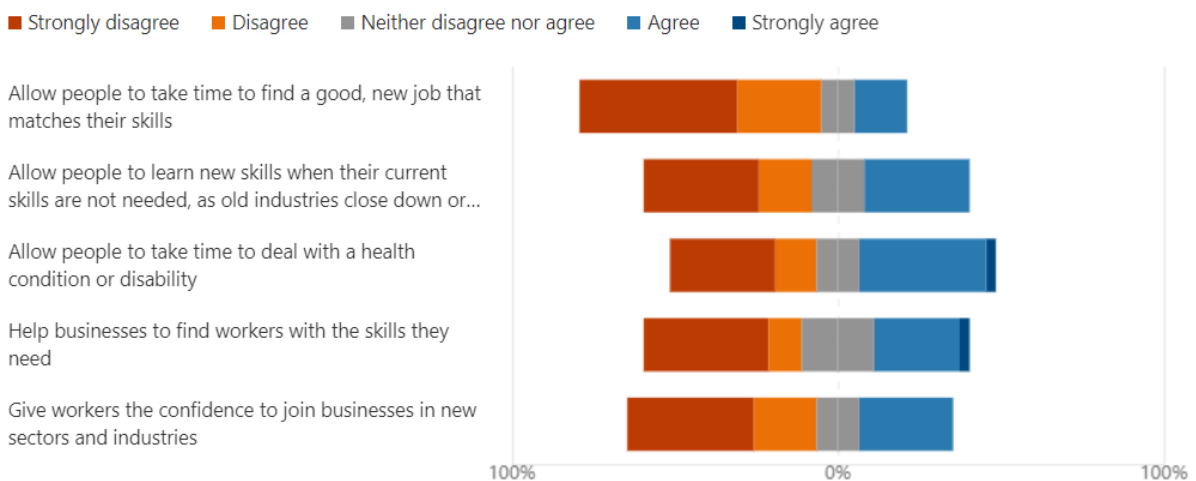
MTA has attempted to canvas its membership on the proposed Income Insurance Scheme. We are finding that small business owners are experiencing a certain amount of “survey fatigue” and it is difficult to elicit responses. Nonetheless, we received 33 responses and we think that the sample is fairly representative of the views of our members.

We used questions from the online MBIE short survey for consistency in responses.

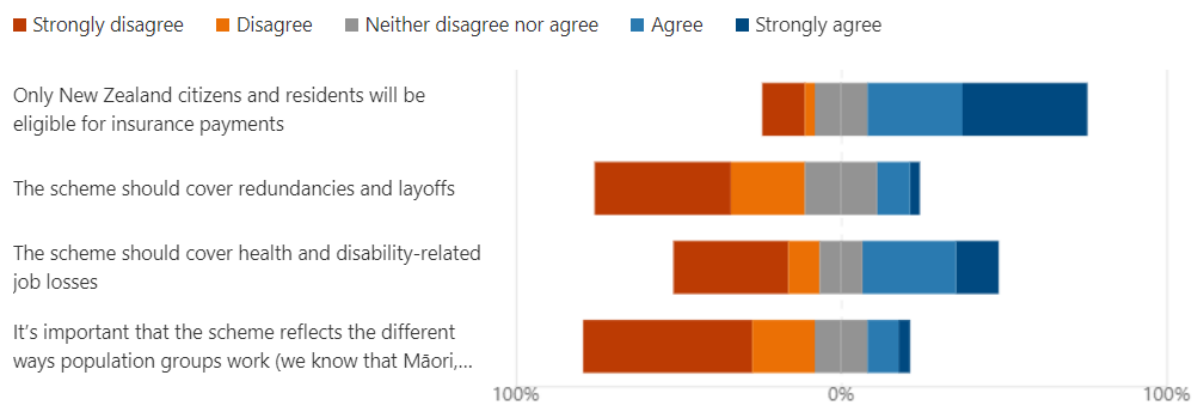
What is your level of agreement with each of the following proposals about the scheme?



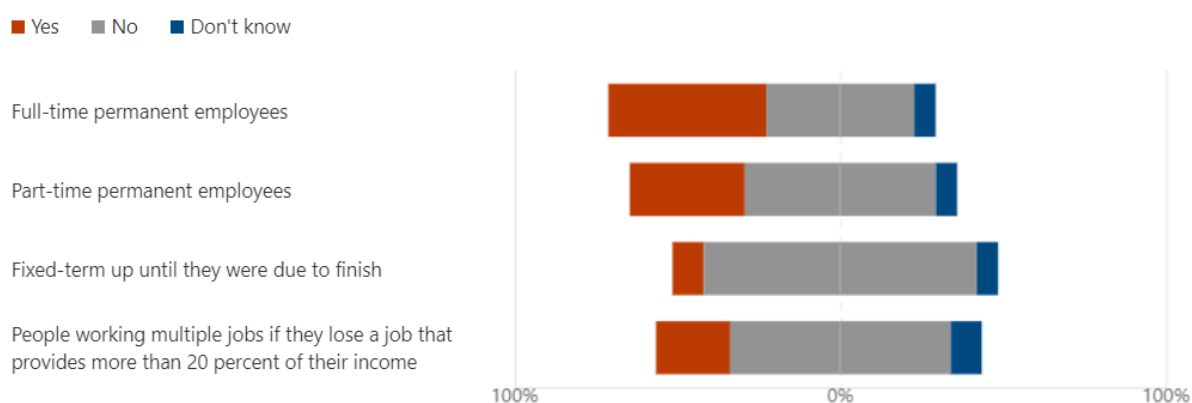
How important do you think it is that New Zealand has an income insurance scheme that provides financial support to:



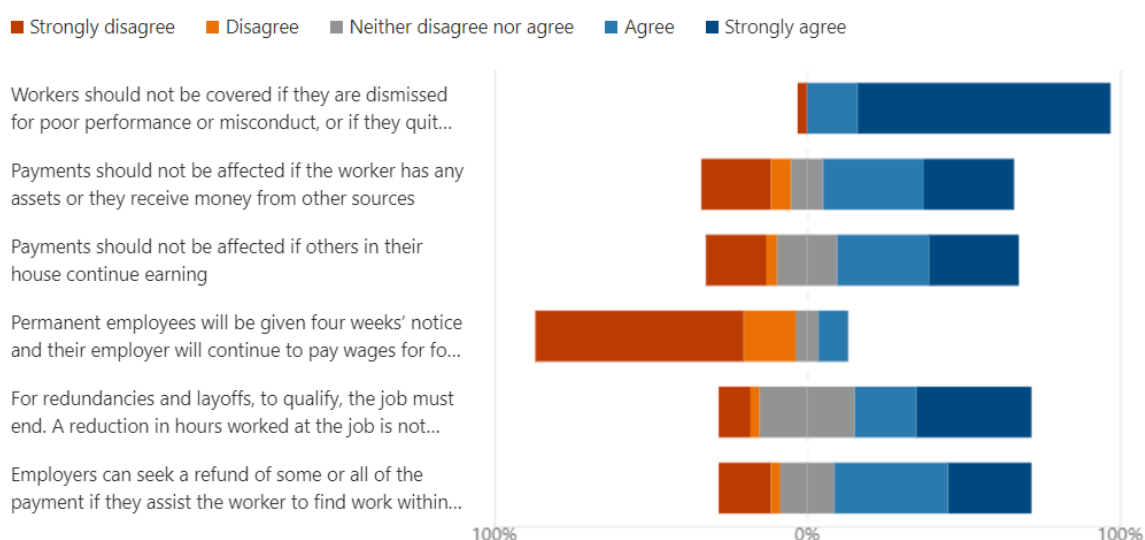
What is your level of agreement with each of the following proposals about an income insurance scheme?



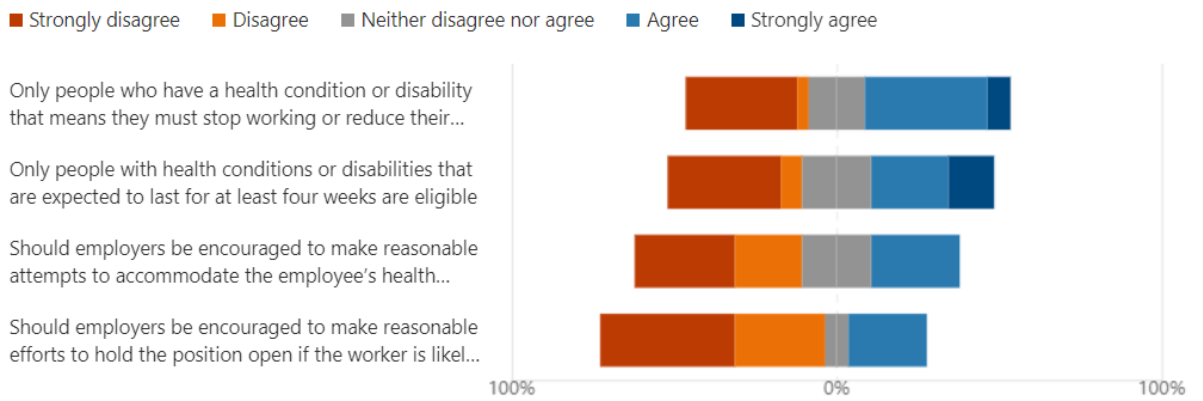
In your view, should the following groups be covered by the proposed income insurance scheme?



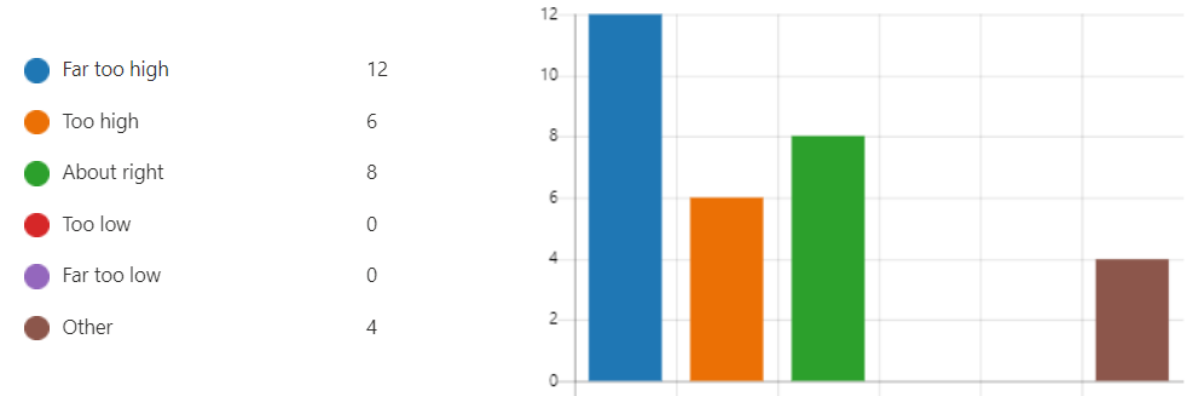
What is your level of agreement with each of the following proposals about the income insurance scheme?



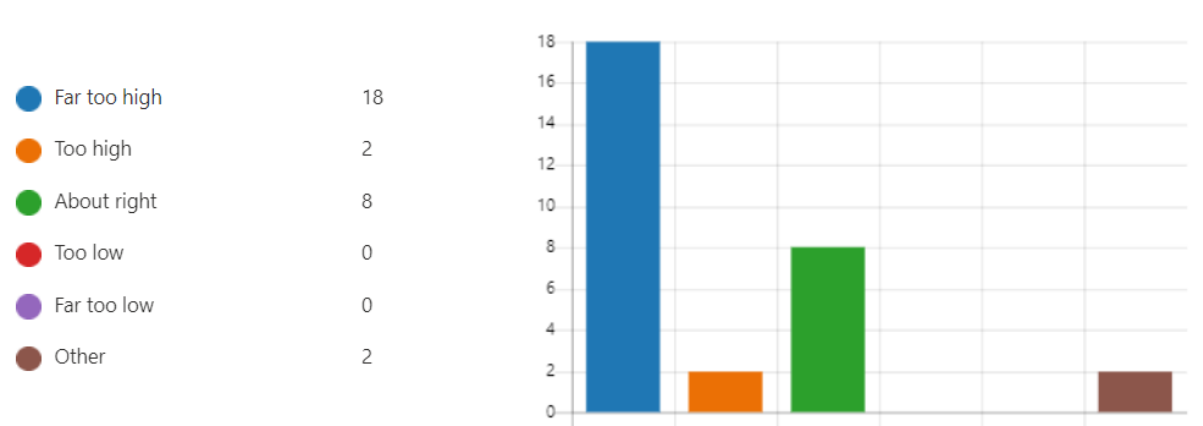
What is your level of agreement with each of the following proposals relating to health conditions and disabilities?



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):



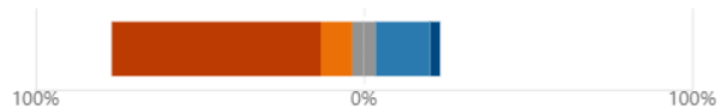
If workers lose their job, is the proposed amount of time of up to six months of financial support (with a further one month of payments for eligible claimants):



What is your level of agreement with the following statement?

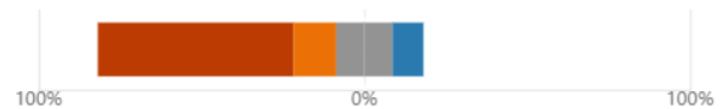
Strongly disagree Disagree Neither disagree nor agree Agree Strongly agree

The levy should be paid in equal share by employers and employees



Does New Zealand need an Income Insurance Scheme?

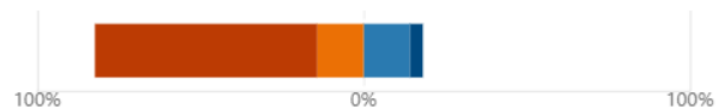
Strongly disagree Disagree Neither disagree nor agree Agree Strongly agree



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

Do you think that overall the scheme provides good value for money?



As an employer you may be paying an estimated 1.39 percent of wages and salaries, how affordable will the levy be for you?

Not at all affordable Not that affordable Affordable Very affordable

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

