



21 April 2022

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

Via email: incomeinsurance@mbie.govt.nz

RE: A NEW ZEALAND INCOME INSURANCE SCHEME

Tenā koe,

Hospitality New Zealand (Hospitality NZ) is a member-led, not-for-profit organisation representing over 2,500 businesses, ranging across cafés, restaurants, bars, nightclubs, commercial accommodation, country hotels, and off-licences. We have a 120-year history of advocating on behalf of the hospitality and tourism sector.

Prior to COVID, the hospitality sector, which includes accommodation and food service operations, consists of around 22,800 enterprises in just under 24,400 geographic locations around the country. Collectively these enterprises employ just under 173,000 people.

Hospitality NZ welcomes the opportunity to submit on 'A New Zealand Income Insurance Scheme'.

Hospitality NZ does not support an income insurance scheme for New Zealand.

We do not believe an income insurance scheme is needed. Compared with other countries, our workers' rights are incredibly strong, meaning the redundancy and dismissal process is much tougher. Many comparative countries that have income insurance schemes have much easier redundancy processes, meaning redundancy will come as a surprise for many workers, compared to the normal process here in New Zealand.

Our view is that an income insurance scheme may work in the wider context of employment rights, but given the current workplace relations landscape of New Zealand, such a scheme is not fit-for-purpose. The current design of this scheme is a tax on productivity, and a subsidy for non-productivity.

This scheme will be easy to manipulate in the real world. We regularly hear from members about employees who want to leave their job asking to be made redundant. These occurrences would



increase exponentially of 6 months off paid at 80% awaited. It is very easy to manipulate a redundancy if that is what both the employer and employee want.

It is also important that if/when people lose their job, they get back into the workforce quickly. The longer they are out of work, the more likely they are to get into a welfare trap, and the less employable they become. Someone who has been made redundant loses the incentive to quickly take a replace job at a lower pay rate, or to take a role that is not their dream job, if they are being offered 6 months off work at 80%. We understand the goal to move people into meaningful work but equally this scheme disincentivises taking any work until someone is nearing the 6 month mark.

We are comfortable that disability and health conditions are appropriately covered under existing benefit schemes.

Additionally, the proposed 'initial levy' of 2.77% split between firms and workers comes at a time where every cent counts for both parties.

The reallocation from pay checks into a scheme many workers may never utilise is not something most households should have to think about as we look to increased food and fuel prices. That is income families and individuals should be able to choose where it is placed.

For businesses, it is an additional cost placed on firms at a time we are all facing rising costs. Within the past two years, in the midst of a pandemic, we have been expected to take on five days additional sick leave, an additional public holiday and multiple minimum wage increases. We are now looking at significant cost increases to our business for 2022, influenced by both policy decisions and the economic environment:

- increased charges from suppliers as they look to cover their costs
- minimum wage increase (again)
- increase in excise tax on alcohol
- introduction of Fair Pay Agreements
- the cost-of-living increase
- rising inflation
- rent increases
- challenges accessing cashflow due to banking regulations.

Finally, we are concerned that the expedited timeline for implementation leaves the door open for unintended consequences. Some of the well-intentioned policy developed at pace over the last two years has been unable to consider and account for the many implications that come with new policies. If the Government's intention is enduring policy, we would recommend timelines be reconsidered to allow more consideration of feedback from submitters.



Thank you for the opportunity to submit on a New Zealand Income Insurance Scheme. Please do not hesitate to contact us if you have any further questions.

Ngā mihi nui,

A handwritten signature in black ink that reads "Julie White". The signature is written in a cursive style with a large, looping initial 'J'.

Julie White
Chief Executive
Hospitality New Zealand