

Submission on A New Zealand Income Insurance Scheme: a Discussion Document

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23 April 2022

This submission is written in response to the invitation from the Future of Work Tripartite Forum to comment on its discussion document published on 2 February 2022. The submission template provided by MBIE (at <https://www.mbie.govt.nz/dmsdocument/18672-submission-template-a-new-zealand-income-insurance-scheme>) is restricted almost entirely to questions of detail, on the apparent assumption that the scheme is to proceed. This has the effect of largely shutting out negative reactions to the scheme in general. Since I consider that the case for the scheme has not been made out by its proponents at this point, this submission should be read as a negative response to Question 1 in the template, *“Do you agree New Zealand should introduce an income insurance scheme for displacement and loss of work due to health conditions or disabilities?”*

The essential issue raised, but not resolved, by the discussion document, is what the introduction of a social insurance scheme would do to the existing New Zealand welfare system. The discussion document makes the strong claim that the proposed new scheme would be “complementary” to the existing welfare system², which means it can be treated as an enhancement of what is here already, and not a threat to anyone. That claim - that the scheme represents what economists call a “pareto improvement” (some winners, no losers) turns out – on my reading of the document at least – to be almost certainly wrong.

Rather than the proposed scheme providing a complement to the existing welfare system, it is really an imperfect substitute for it, enabling employees (especially higher-paid ones) to protect their income in the event of redundancy (or illness-related loss of earnings) without having to resort to the jobseeker benefit, or sickness benefit, or Working for Families support. As the discussion document says at page 45, “for many people, higher insurance payments would substitute for lower welfare payments”.

As I noted in a paper prepared for the 1988 Royal Commission on Social Policy³, a longstanding debate on how to sustain the welfare state highlights the potential advantages of universalism over targeted provision. I noted (p.135) that among “the mainstream defences of universal provision” are that “it improves resource allocation, minimises qualitative differentiation of service, is politically sustainable because of the wide spread of beneficiaries, and performs an

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² “An income insurance scheme could complement the welfare system” (p.9); “an income insurance scheme can complement these other sources of financial security” (p.45); “Income insurance schemes usually complement – rather than replace – social welfare systems” (p.45).

³ Geoff Bertram, “Middle Class Capture: a brief survey”, in Royal Commission on Social Policy *The April Report* Vol.3 Part II, Wellington 1988, pp.109-170.

important socially-integrative function by underpinning rights of citizenship". And (p.142) I suggested that "the class conflict (or "structural cleavage") which now looms for ... welfare states is between waged and unwaged, not middle class and workers, and if this conflict is to be resolved in favour of the poor the solution is likely to lie in an increased degree of universalism, not a retreat to greater selectivity. If ... employment status rather than citizenship remains the criterion for entitlement to a civilised living standard, then the conflict is apt to be resolved in ways which leave the waged in a privileged position and condemn the unwaged to marginal status."

This, it seems to me, is precisely the conflict and the likely outcome that arise from the social insurance proposal. Faced with the obvious insufficiency of New Zealand's present levels of welfare benefits to sustain a "civilised living standard" for all, the Task Force has turned away from the task of bringing the welfare system up to scratch, and has chosen instead to promote an opt-out arrangement for waged workers, enabling them in the event of redundancy or illness to maintain their living standards (often well above the level required to ensure "civilised" levels of consumption) without being reduced to the stigma and misery presently associated with receipt of a welfare benefit.

Page 45 of the discussion document explicitly lays out this line of argument:

Welfare payments remain an essential safety net, but main benefits provide a low wage replacement rate (or none at all) for some families, particularly higher earners and those with earning partners. This means that welfare can effectively smooth the incomes for some lower income families, while many others face significant drops in income following involuntary job loss, especially those not eligible for welfare support due to partner earnings.

Large income drops are likely to increase the pressure these workers feel to accept poor quality job matches, harming their long-run earnings and realisation of their productivity potential. Even a substantial increase in welfare payments would not provide a high replacement rate for many people who lose their jobs, but could mean some people are better off unemployed than in work.

Insurance schemes overcome this problem by providing a replacement income close to, but less than, the lost wages for a fixed period. This means insurance can smooth incomes, while preserving a work incentive.

On the same page the discussion document concedes that

Operating a welfare system alongside an income insurance system can raise equity concerns because income insurance payments are generally substantially higher than welfare payments. People who have recently lost work receive much greater replacement incomes than others.

In response to this, two lines of argument are advanced by the Forum. First, "a large cross-over exists between the groups. For many people, higher insurance payments would substitute for lower welfare payments, and for some provide a smoother transition to welfare

support.” This transparent attempt to make a virtue out of the recognised equity problem (the insurance scheme’s selectivity in favour of the higher-paid) by taking the reader’s eye off the less-fortunate group for whom the problem is a real one, leaves the acknowledged equity problem untouched. The alleged “cross-over” between winners and losers leaves in its wake a large group of losers. The discussion document simply drops them overboard into the welfare “safety net”.

Second, an ownership claim on the insurance fund’s resources is advanced: “insurance payments should be seen as the pooled savings of working people and employers who have put aside a modest amount of their earnings to protect each other against loss”. Implicitly, the insurance scheme is thus to be seen as fundamentally separate from the welfare system on the basis that the part of the population involved in payment of levies (employers and workers) retain the right to control disbursement of the funds, free of any claim by the wider community. There are several difficulties with this line of argument. Two examples. First, the starting point for the insurance proposal is an alleged market failure which prevents the establishment of a stand-alone insurance system free of state involvement. At the point where Government enters the tripartite picture as underwriter, the wider community gains a claim that cannot simply be set aside in this cavalier fashion. Second, by acting as underwriter for a scheme that is explicitly designed to protect the better-off and separate them from the non-working poor, the Government becomes complicit in advancing an agenda that threatens to become socially corrosive - unless there are very determined and explicit measures taken to ensure that complementarity, rather than substitution, is the outcome.

But here there is a gaping void in the discussion document. It is certainly true that the document purports to support an overhaul of the welfare system. “The Forum strongly supports the continued overhaul of the welfare system” (p.9). But beyond this bland assurance there are no specifics, and the Forum fails to acknowledge that well-designed reform of the welfare system would reduce the need for social insurance, particularly among low-paid workers. Rather, the Forum implicitly takes the position that fixing the welfare system, at the same time as the proposed new insurance scheme peels off a large chunk of the welfare-system’s potential clients, is none of its business. Yet that separation of the high-waged from the low-waged and the non-employed has the collateral effect of slashing the political constituency for improving the welfare system itself. Cutting the rope and letting the underprivileged drift away to their fate is not a reasonable solution.

The same goes for the vexed issue of interaction at the boundary between an individualised insurance scheme and a family-based welfare system. Included among the issues raised on pages 9 and 29 of the discussion document is “ensuring alignment with other systems, including the tax and welfare system” – but there is nothing of substance in the document to follow this up. The entire complex and difficult topic of the interface between social insurance and the welfare system is missing in action. “Getting the ‘interactions’ right with existing

benefits, tax credits and other support is an important part of an income insurance scheme design” (p.45) – but not something on which the discussion document offers any ideas.

This matters because the thrust of most of this document’s description of the problem it seeks to address is that New Zealand has allowed its welfare system to degrade to the point where, compared with other OECD countries, the financial impact of losing one’s job is severe. For example, on page 27 we read

New Zealand offers less support than many other developed countries to displaced workers and workers with health conditions or disabilities not caused by injury.

The simple answer to this would be to fix the welfare system. On pages 8 and 9 the document mentions “welfare payments” as one of four options for “ensuring financial support for people who lose work” – but immediately drops this option without serious discussion. A crucial sentence in the middle of page 9 clarifies what is at stake here [emphasis added]:

Compared with other approaches, an income insurance scheme could most effectively and affordably ensure a replacement income that is close to lost wages, for a reasonable time, with wide coverage.

Use of the word “could” here absolves the document’s authors of the need to establish that the proposed reform would solve the problems they have identified. But more significantly, the pursuit of “a replacement income that is close to lost wages” re-frames the argument away from the welfare system’s “lack of support” identified on p.27, and towards a target arrangement specifically designed to give the greatest protection to the highest-paid. The income cap of \$130,911 lies far outside the wage incomes of the great bulk of workers.

Even with the goal thus reframed, why social insurance is judged “most effective” for ensuring “replacement income that is close to lost wages” is never explained. It is self-evident that increased universal welfare benefits for the sick and unemployed are most effective in protecting the low-paid, and least effective in protecting the incomes of the higher-paid, in the event of job loss. In effect the key advantage perceived (by the Forum) for social insurance over [even an improved] welfare system seems to be precisely its attraction for the higher-paid. Thinking about what arrangement could “most effectively” “ensure a replacement income” for low-paid casual part-time workers in menial jobs, I was unconvinced that social insurance is “most effective” for them, and nothing in the document seemed aimed to convince me otherwise – just the throwaway suggestion that the welfare system should be “overhauled” in unspecified ways while the Government gets on with the job of implementing social insurance. Page 8 argues that “by designing a scheme that covers as many people as possible, we’re helping to establish a scheme that is fair and equitable”. The obvious rejoinder is that universal coverage is arguably the most direct way to be fair and equitable – just “helping” to establish something different on a fair and equitable basis is not obviously a satisfactory substitute.

Why social insurance is judged “most affordable” is even more of a mystery, since the discussion document contains no analysis of costs – just the arrangements for employers and

workers to contribute to the fund via their contributions. “Affordability” could mean many things, depending on who is supposed to be bearing whatever costs are incurred. It may be that the discussion document is thinking of “affordability” for workers, or for employers. If so, one looks (in vain) for discussion of the relative incidence of the cost burden on those two groups once the labour market has adjusted (presumably through lower take-home wages, possibly with lower total employment). Or it may be that the document was concerned with “affordability” in the sense of the resource burden on the New Zealand economy as a whole of operating social insurance rather than better welfare provision – but again there is nothing of substance in the discussion document.

Most likely, it seems to me, is that the social insurance option is judged “most affordable” on the basis that its costs fall (in the first instance at least) on workers and employers, not Government. In other words, there is less fiscal impact from the insurance arrangement than would result from improving the welfare system. While I strongly suspect that this is the correct reading, I can only speculate, because there is nothing in the document about the relative fiscal cost of different options.

As a result, I interpret the discussion document as saying, in effect:

- Fixing New Zealand’s degraded welfare system is off the agenda for unstated reasons.
- The two other alternative options listed on page 8 (personal savings, and redundancy payments) are all very well, but both (and particularly redundancy payments) can be instantly wrapped into the social insurance proposal rather than being evaluated on their own merits.⁴
- That leaves social insurance (with redundancy added) as the way to go. No further analysis required.

Why should a Labour Government (as distinct from the other two Forum participants, both strong lobbying interest groups with self-interested constituencies to serve) be keen on making such a dramatic move away from making the universal welfare system fit for purpose? The sole reason I can see is fiscal opportunism: social insurance can be brought in without increasing the annual fiscal outlays on jobseeker benefit and sickness benefit.

The Government’s extreme reluctance to improve the generosity of the welfare system has been clear enough over recent years. That reluctance flows directly from the fiscal straightjacket imposed by section 26G of the Public Finance Act 1989, and reinforced by the incoming Labour Government’s self-imposed “Budget Responsibility Rules” laid out in 2018.⁵ One of those rules states that

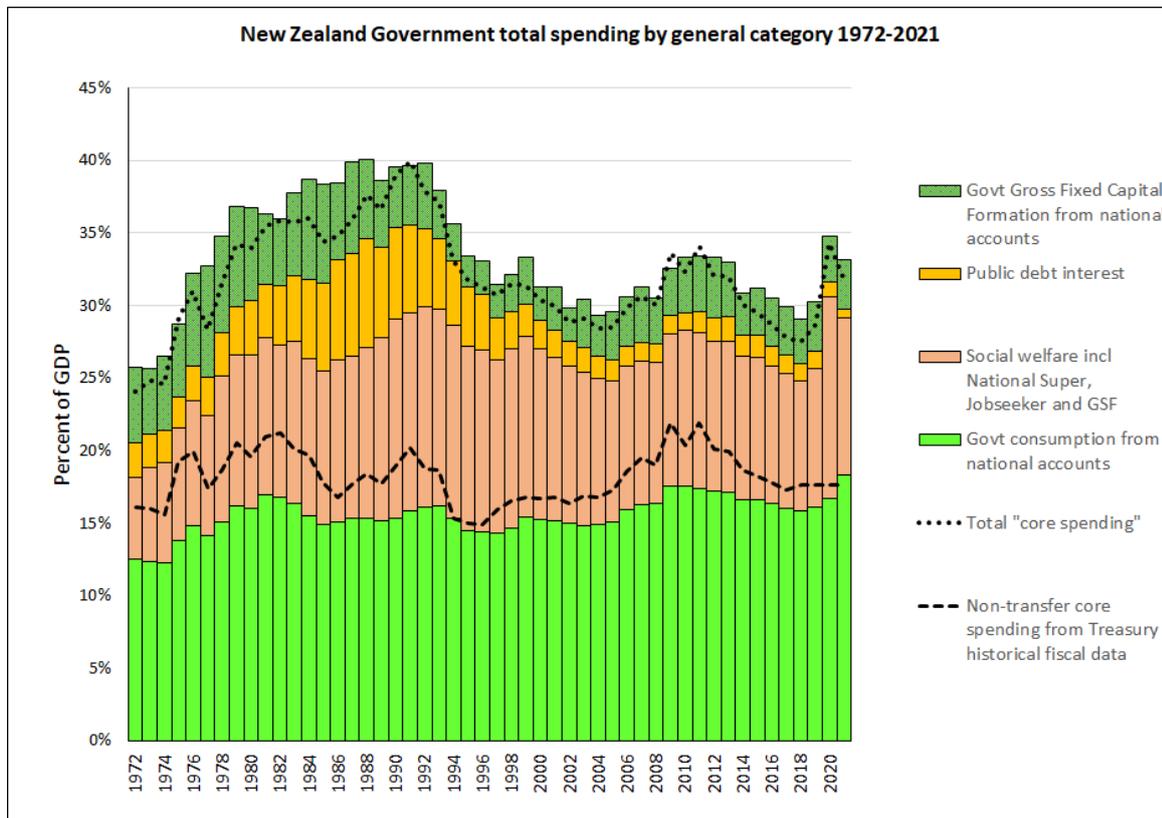
⁴ The benefits of compulsory redundancy payments, once appropriated as an inseparable part of the proposal, will presumably be claimed for social insurance as part of the package, rather than being separately accounted for. But there is no need to combine compulsory redundancy payments with the insurance option – they could perfectly well be implemented on their own, and probably should be.

⁵ <https://www.treasury.govt.nz/publications/information-release/budget-responsibility-rules-2018> .

The Government will maintain its expenditure to within the recent historical range of spending to GDP ratio.... Core Crown spending has averaged around 30% of GDP for the past 20 years

As Minister of Finance, Grant Robertson has explicitly retained this idea of a Government spending cap of 30% of GDP. The level of that cap has two characteristics: first, it is entirely arbitrary, with no economic justification; and second, it is calibrated by reference to two decades of extreme fiscal austerity that have left New Zealand facing twin crises of wealth/income inequality and underfunded public infrastructure and services.

The chart below shows the makeup of New Zealand Government fiscal outlays over the past four decades, expressed as percentages of GDP and broken down into four components: current spending on provision of public services (“Government consumption”); investment in new capital assets (“Government GFCF”); transfers to welfare recipients (“social welfare”); and transfers in the form of interest payments to the holders of Government debt (“public debt interest”). Treasury’s concept of “core Crown spending” (constructed rather differently) is overlaid on the chart.



The fiscal history of the past half-century is encapsulated here. The stacked columns showing the central Government’s actual expenditures make clear that after the late-1980s switch to neoliberal austerity, “total spending” was brought down from 40% of GDP to 30% of GDP by three main processes: debt reduction which reduced interest payments from 8% of GDP to 1%; a sharp reduction in Government investment from 7% of GDP down to 3%, and a squeeze on social welfare payments (from nearly 14% in 1990 to under 10% by 2005, since when the welfare outlays have remained at roughly that level (apart from a shortlived jump to 13.9% in the 2021 fiscal year when GDP – the denominator of the calculation – slumped during the

COVID outbreak). Government consumption – the delivery of public services – has held steady at around 15-16% of GDP over half a century.

In the light of these numbers it is easy to see why a Minister of Finance committed to an arbitrary 30%-of-GDP cap on total current spending (inclusive of transfers), with an incompressible government consumption requirement of around 15-17% of GDP and debt servicing reduced to 1% of GDP but now likely to increase, would be extremely resistant to any proposal that would increase the social welfare budget beyond 11-12% of GDP. In this sense the welfare budget is the meat in the sandwich. So long as the Government considers itself bound by its 30%-of-GDP ceiling, any increase in social welfare outlays would be translated directly into greater austerity cuts to public services. Because the latter will be fiercely resisted (and in any case virtually impossible to achieve), the former will be equally fiercely resisted.

This is the only clear reason why a device to have wage-income replacement funded outside the fiscal accounts can look politically attractive, however economically damaging and socially destructive it might be. The terms of political discourse in this country have admittedly been degraded to the point where any measure that shifts costs off the Government's books and onto the wider community can gain media and policy-elite applause. But that is no comfort to anyone concerned with good policymaking as distinct from political posturing. Not for the first time in New Zealand, good policymaking, and the wellbeing of the least fortunate among us, fall victim to a neoliberal shibboleth cynically adopted for political convenience.

In any cost-benefit analysis of the proposed social insurance scheme, it will be imperative to have as the counterfactual a reform of the existing welfare system that would return benefit levels to meet the criteria set out in the 1982 Royal Commission report. The fiscal costs of making proper provision through the central Government budget need to be weighed against the economic costs of establishing and funding an entirely new insurance arrangement outside Government's books.

One other feature of the insurance proposal needs to be highlighted to indicate why the scheme could prove socially damaging. On page 55 appears the bald statement that

Displacement excludes situations where

- An employee chooses to end the employment relationship (including constructive dismissals)
- An employee is dismissed on the grounds of poor performance or misconduct.

This means that the boundaries of eligibility for the scheme's income replacement (including the one-month redundancy?) will be set (in part) by the requirement that workers must avoid dismissal on grounds of "performance" and/or "conduct" while in the job. This allows employers to hold over the heads of their employees the continual threat of an unfavourable performance or conduct review, followed by dismissal with no insurance cover. Not only does this open the way to misuse by employers of the power thus granted to them; equally problematic will be the definition and determination of what constitutes poor performance, or misconduct, serious enough to justify denying a dismissed worker (who will have made

financial contributions to the scheme up to the point of dismissal) their entitlement to financial support from the scheme. Observation of employer conduct over the three decades since the Employment Contracts Act 1991, as well as of the regime of sanctions operated by MSD in administering the existing welfare system, leads me to doubt that it is safe to rely on good faith to prevent abuse of this aspect of the proposed scheme.

A similar issue arises on page 8 of the document (emphasis added): “We want to protect [self-employed] people who genuinely lose work for reasons beyond their control, while not covering people who may choose to close their work down in order to access the scheme.” But who decides or adjudicates on the crucial issue of whether people have become unemployed by “choice”?

And on page 7 the document says “We’ve taken care to cover as many people as possible who have a pattern of regular, ongoing work, while excluding or limiting coverage for people who have much greater control of when and how they work.” The question of who has “control of when and how they work” is not a simple one and is highly likely to boil down to ideological beliefs drawn from the same playbook as popular stereotypes of “idle beneficiaries” and “dole bludgers”.

Those stereotypes surface on page 80 of the discussion document in the highly tendentious concept of “personal exertion income”:

Personal exertion income means income that is earned, derived or received by a person by way of payment for their active labour, for example, wages, salary or income from self-employed work. This would mean that other income, such as from investments, would not affect entitlements for income insurance. This approach is consistent with the role of insurance in replacing lost income, rather than ensuring a minimum level of income. How this income affects entitlements depends on the abatement rules, which are discussed in the next section.

The population of New Zealand is thus divided into the deserving who undertake “personal exertion” - who are to be insured - and the undeserving who are not. Citing rentier recipients of investment income as the key example of failure to perform “personal exertion” serves as a rhetorical device to divert attention from, for example, solo mothers whose personal exertions are real enough, but alas are unpaid by the market (whence they have no “personal exertion income”). These are to be entitled to no more than inadequate welfare benefits. Three and a half decades on from publication of Marilyn Waring’s *Counting for Nothing*, a proposal for radical restructuring of New Zealand’s failing welfare state can surely do better than this.

Appendix: a commentary on the introductory “Message from the Future of Work Tripartite Forum partners”

The key arguments of the discussion document are summed up concisely in the introductory “Message from the Future of Work Tripartite Forum partners” on pages 4-6. A close reading of this did not allay my scepticism. For the record, my marginal comments on the Message text are reproduced below.

Text from Summary document	My comments
<p>‘As New Zealand looks to move beyond the economic and social impacts of COVID-19, there are important lessons to be learned from the way in which we were able to support one another through an unprecedented series of challenges.’ (page 4)</p>	<p>Yes. So an important first step is to lay out explicitly the lessons to be learned from the experience of 2020 and 2021. The two most obvious are</p> <ol style="list-style-type: none"> 1. Introducing a separate wage support via the COVID wage subsidy arrangement instead of fixing the welfare system was never properly justified – it was just done; and 2. The impact on existing beneficiaries was negative, direct, dramatic and instantly visible <p>One big lesson for me was that the two-tier approach was introduced precisely to prevent labour market insiders having to rely on MSD.</p>
<p>‘Government programmes such as the Wage Subsidy Scheme and Resurgence Support Payment aimed to protect New Zealanders’ livelihoods and economic wellbeing. This was primarily done through keeping people in their existing jobs and supporting businesses most directly affected by the pandemic ’ (page 4)</p>	<p>This mis-states the aim of the two schemes. They were introduced for the benefit not of “New Zealanders” in general, but to protect the livelihoods and economic wellbeing of a particular group of New Zealanders who had “existing jobs” and of their employers. Another group of New Zealanders – benefit recipients and others at the bottom of the social heap – were not protected.</p>
<p>‘As we look toward a future where economic activity might be moving toward new sectors and industries, it is appropriate that we consider how we continue to ensure New Zealanders’ economic security. Future shocks may occur at an international, national or regional level. Equally, individual businesses or workers may find themselves subject to economic displacement for a range of reasons.’(page 4)</p>	<p>All very well, but this is not a comprehensive list of the issues to be taken into account when contemplating a social insurance scheme</p>

<p>‘Rather than supporting workers to remain attached to their current jobs, as the Government did throughout COVID-19, we need policies that provide economic security to the individual directly and support them to transition into new work, regardless of the source of their displacement.’ (page 4)</p>	<p>Here “the individual” does not mean a representative New Zealand individual – it refers specifically to a particular type of individual operating as a regular employee in the economic sectors of interest to the two vested interests involved in writing the paper – CTU and Business NZ.</p>
<p>‘Few protections are available for people who lose their job. Some receive redundancy payments, but this depends on employment agreements, and is rarely paid if a business fails. Others are supported by welfare, but the drop in income can be large, and many aren’t eligible.’ (page 4)</p>	<p>This correctly identifies the failure of the existing welfare system to provide adequate support and protection for benefit recipients, but by restricting the focus to “people who lose their job” the writer sets aside the issue of fixing the level of benefits provided.</p>
<p>‘This often results in a significant income shock that can affect wellbeing and earnings, even when a person finds new work.’</p>	<p>Exactly. The replacement rate under the existing inadequate unemployment benefit is too low. The straightforward response would be to raise the rate.</p>
<p>‘That’s because finding a good job takes time. Many people accept lower-paid jobs that don’t match their skillset because of the financial pressure to get back to work quickly. Others might not find work, because their skills are no longer needed, as old industries close down or new technologies replace work previously done by people. These wage losses run into the billions of dollars every year.’ (page 4)</p>	<p>The income shock is not caused by the fact that “finding a good job takes time”. It is caused by the low level of income support provided by the existing benefit. The “billions of dollars” of “wage losses” are nowhere quantified. Nor is it self-evident that the costs of job loss would be reduced by the proposed insurance scheme – the discussion document just asserts this.⁶</p>
<p>‘People dealing with a health condition might try to keep working to maintain an income, often making their health worse or delaying their recovery. An existing or new disability might mean they need to reduce their work hours or can’t keep doing the same job, and they struggle to retrain for a new career.’ (page 4)</p>	<p>This applies to everyone, not just to full-time employed workers. Especially it applies to the worst-off workers and beneficiaries.</p>

⁶ A recent paper finds that the cost of job loss “is highest not for workers with the most human capital to lose, but rather for workers whose continued employment in skill-sensitive jobs is most tenuous” (Christopher Huckfield, “Understanding the scarring effects of recessions”, *American Economic Review* 2022, 112(4): 1273–1310). Whether social insurance along the lines now proposed for New Zealand would reduce or increase the scarring costs identified and discussed by Huckfield is not clear to me.

<p>'These outcomes don't just harm individuals and their families, they affect businesses, communities and the economy. In short, everyone.' (page 4)</p>	<p>The attempt to make it everyone's problem, not just the insiders, is simple misdirection. The outcomes of inadequate benefit levels affect everyone – but the document is carefully pointing readers away from looking at that.</p>
<p>'Businesses lose out on important productivity gains: the current system doesn't give people time to find work that matches the skills they have. Sectors facing critical skill shortages may miss out on key workers, simply because a vacancy wasn't available in the few weeks a worker was desperately looking for work. As New Zealand faces a tight labour market and demand for skilled workers, it is in the best interests of workers and businesses that people are employed in areas that make the greatest use of their skills.' (page 5)</p>	<p>All true, but not an argument for social insurance as against better welfare benefits</p>
<p>'People who keep working while unwell are much less productive, and when it takes longer to recover, important skills can be lost.' (page 5)</p>	<p>Absolutely right, but again does not make social insurance better than alternatives, which ought to be the issue here.</p>
<p>'Loss of work can affect communities and whānau, especially communities reliant on a major employer. When these businesses shut down, workers have little money to spend, which means other businesses suffer and the community can go into a long-term economic decline lasting for generations. An income insurance scheme could cushion workers and communities from such abrupt income losses, allowing more time to adapt.' (page 5)</p>	<p>Note the word "could". An insurance scheme "could" equally have quite devastating social impacts when looked at on the wider canvas, not just through the narrow lens of labour market insiders</p>
<p>'We've seen this frequently over the past 40 years, as New Zealand has been struck by economic shocks that have seen even seemingly secure careers affected significantly.' (page 5)</p>	<p>Indeed, the past 40 years have seen plenty of unpleasant shocks, made more unpleasant by the consequences of the 1991 budget cuts.</p>
<p>'Around 200,000 people lost their jobs and spent time out of work, some for several years, during the late 2000s Global Financial Crisis. The Canterbury earthquakes saw successful businesses close down almost overnight after their facilities were damaged. The COVID-19 pandemic brought our then-largest export earner, tourism, to an abrupt halt. At local levels, many examples can be found, such as the closure of Kawerau's timber mill or Hawkes Bay's Whakatū and Tomoana freezing works.' (page 5)</p>	<p>All true, but in this context irrelevant to making the case for social insurance against the alternatives.</p>
<p>'These economic challenges are likely to become more frequent. Technology could replace more jobs currently done by people, or replace the products and goods we produce. The move to a low-emissions economy will see significant changes in how we do things, and some industries, like oil and gas, will be replaced by others over time. Changing consumer demands, an ageing population and increasing</p>	<p>All potentially true, but again just states the problem - irrelevant to making the case for social insurance against the alternatives.</p>

globalisation will all contribute to big shifts in what work we do, what things we produce and what skills we need.’ (page 5)	
‘These are confronting challenges, but they also provide exciting possibilities. Since 2006, the value of start-up investment in New Zealand has grown sevenfold. Brand new industries – like our space sector – have emerged and others – like video game development – are growing fast. An income insurance scheme isn’t just about helping people find good jobs, it’s about giving people the freedom and confidence to enter new sectors, which they might traditionally avoid for fear of not having secure work.’ (page 5)	PR spin
‘A New Zealand Income Insurance Scheme could play a significant role in better protecting workers and incomes, matching skills with where they are needed, and helping communities and industries during economic shocks and transitions.’ (page 5)	Again note the use of “could”. So could other possible policies, which the document fails to acknowledge or list.
‘The proposed scheme would also go a long way to addressing the current inequity whereby a person who experiences an accident can receive much more support than a person with a non-accident-related health condition or disability, despite a similar loss of ability to work.’ (page 5)	First occurrence of the word “would”. Here the well-recognised flaw in current provision of income support is clearly likely to be reduced – for scheme participants - by the proposed scheme. But other options are open – especially fixing the existing welfare system.
‘New Zealand is almost alone in the developed world in not having some kind of mandatory, nationwide income insurance scheme or other protection, such as mandatory redundancy payments, for people who lose their jobs.’ (page 5)	So what is the point here? New Zealand is not completely alone, and there are good reasons why its existing welfare system is not based on social insurance. An attempt to play on cultural cringe?
‘We believe a New Zealand Income Insurance Scheme could be an important step-change that lets us manage the challenges and harness the opportunities that lie ahead for New Zealand.’ (page 5)	Again the word is “could”. The paragraph is just boosterism.
‘...the proposed scheme most directly benefits working people, but there are also significant benefits for employers. The proposed income insurance scheme would help shift New Zealand to being a higher productivity economy where businesses generate more value and greater returns. The proposal will also create a clearer process for redundancies, with more predictable costs.’ (page 6)	The beneficiaries are correctly identified, namely the clients of the two big sector organisations promoting the scheme. The victims are left unmentioned.
‘Our proposed scheme – which we would like your feedback on – will see workers receive 80 percent of their usual salary for up to seven months. It will cover them if they are made redundant, laid off, or when a health condition or disability means they have to significantly reduce their work hours or stop working entirely. This will give them the time and	Here the proponents explicitly take ownership of the proposal, listing benefits for their client groups. Nice for the “workers”. But what about others?

<p>financial security to find a good job or take part in training or rehabilitation.’ (page 6)</p>	
<p>‘The scheme will require people to look for work or take part in training and rehabilitation. It will be paid for by levies on wages and salaries, with both workers and employers paying an estimated 1.39 percent each. ACC will manage the scheme.’ (page 6)</p>	<p>The sole paragraph about the details, devoid of recognition of the fishhooks lurking in there</p>
<p>‘We want to get this right, and we look forward to hearing your views on everything we’ve proposed.’ (page 6)</p>	<p>Unclear what “getting this right” means exactly, and it seems unlikely that strongly opposed views will really be welcome. The MBIE submission template is carefully designed to avoid opening up the difficult and contentious areas.</p>