CHANGE YOUR FUTURE

act

EMPLOYMENT INSURANCE & WELFARE POLICY

Introduction

New Zealand has a long-term problem with chronic welfare dependency. Over 350,000 working- age New Zealanders were receiving a benefit at the end of June 2020 quarter, and even before the COVID crisis, the number was typically 300,000. That's one-in-ten working- age New Zealanders on a benefit (the average percentage on a main benefit over the past 6 years has been 10.5% of working- age adults). Prior to COVID, 71 percent of main benefit recipients have been on welfare continuously for more than a year.

The worst impact is on children. One out of every ten children is born onto an existing benefit; one in five babies is living in a benefit-led household by their first birthday. These children face a bleaker future than children born to parents in work; they face worse outcomes on nearly every social indicator. This often inter-generational scenario is an ongoing, slow-moving social disaster for our country.

Additionally the COVID crisis has revealed a new problem that is growing by the week. Mass lay-offs and redundancies mean people who paid high taxes on their incomes for years find they get little back in benefits. Someone on the average wage of $69,000 paid $13,720 in tax last year, or $264 per week. Instead of taking home just over a thousand dollars per week, they find they are entitled to a weekly base rate of $251. A married couple with two primary school children in a high cost housing area find they receive a maximum of $733 per week, about the same as one parent earning the minimum wage full-time.

Our social security system imposes a one-size-fits-all solution that works for no-one. It fails those trapped in long-term dependency. It fails those who pay generously into a scheme that does not support them adequately if they unexpectedly lose their job. Those in genuine short-term need also face the stigma created by long term dependents who choose to stay on welfare as an indefinite lifestyle.

The COVID crisis brought unexpected, short-term job loss front and centre. However, short-term job loss is likely to become a feature of modern life as work becomes more fragmented and people move in and out of numerous 'gigs.' A new approach is needed to deal with this reality.

Our current employment 'insurance' system, instituted by the first Labour Government in 1938 and significantly reformed by the third Labour Government in 1972, is due for a serious overhaul. The new system needs to deal with the crippling long-term dependency that no Government has managed to fix while simultaneously addressing what some call the 'future of work' in a modern economy.

WE NEED A NEW AND FAIRER UNEMPLOYMENT INSURANCE SCHEME WHICH PAYS OUT BASED ON INPUT

How Employment Insurance Would Work

Income tax rates remain unchanged but 0.55% of the tax paid will be allocated to a ring-fenced Employment Insurance fund.

On loss of employment the tax-payer can claim 55 per cent of their average weekly earnings over the previous 52 weeks (or fewer). The maximum yearly insurable earnings amount is $60,000.

The insurance can only be claimed for one week for each five weeks the person has worked, up to a maximum of 26 weeks per claim. Someone who has worked continuously for only one year could claim up to ten weeks Employment Insurance.

Over time, the Government would adjust the 0.55 per cent levy so that the fund balances out over a four-year cycle. In a high unemployment year the levy would increase. In a low unemployment year, taxpayers would benefit from a levy reduction.

Those receiving Employment Insurance would be expected to look for work and report fortnightly on their preparedness to work and job application activity. In practice, recipients would want to get back to work instead of remaining on 55 per cent of their previous income.

Benefits of Employment Insurance

Employment insurance would bring many benefits:

- It is a fairer system because people get paid out in proportion to what they pay in, rather than a flat benefit rate regardless of their outgoings or previous tax contributions.
- It removes stigma from collecting a benefit for people out of work for a short time through no fault of their own. They would be collecting an insurance payout from a fund they'd paid into for that very purpose.
- It would be fiscally neutral, paying for itself with automatically adjusted premiums and savings on benefits.
- It suits a modern workforce where people work in a 'gig economy,' it is a modern policy solution for what some call the 'future of work.'
- It provides an 'individual' rather than 'couple' entitlement.

WELFARE IF YOU DON'T QUALIFY FOR EMPLOYMENT INSURANCE

ACT's policy would make no change to the Supported Living Payment, Young Parent/Youth Payment, or Orphan's/Unsupported Child benefit. Its changes are focused on the Jobseeker and Sole Parent Support benefits.

Qualifying Sole Parents would be able to access Employment Insurance; however it is often difficult for sole parents to work. Sole Parent Support is also an important aid for women who seek to escape violent relationships. ACT would continue Sole Parent Support but with one change.

We cannot continue to have so many children - approximately 6,000 per year - born onto a benefit (usually Sole Parent Support but Jobseeker Support to a lesser extent.) Welfare is not there to support beneficiaries who keep having children when so many New Zealanders wait, save and sacrifice before starting a family.

Consequently those who have additional children while receiving a benefit will receive support in the form of Electronic Income Management (detail below).

With Employment Insurance covering anyone who works at least five weeks out of six needing Jobseeker Support is also a sign that a person needs a new approach. Under ACT's policy, Jobseeker Support will also become subject to Electronic Income Management after an initial four week period of traditional cash welfare. This initial period gives extra time to find work before Electronic Income Management kicks in.

ncome management would also apply to those who seek hardship assistance repeatedly; have received an imprisonable criminal conviction; have committed benefit fraud; or have a primary incapacity of substance or alcohol abuse.

Chronic long-term dependency on welfare is damaging the spirit and wellbeing of too many New Zealanders and their children. This needs to change.

How Electronic Income Management Would Work

Electronic Income Management has been successfully trialed in Australia. It issues an electronic card with tracked spending and restrictions on alcohol, gambling, and tobacco expenditure. Almost all of the benefit comes in this form, with a small amount left in discretionary cash. It has been shown to improve child well-being by reducing spending on 'harm' and increasing spending on children. The technology already exists within the New Zealand system as income management for Youth and Young Parent beneficiaries.

Some will see Income Management as a restriction on freedom, but two points need to be made clear. Under ACT's policy, Employment Insurance and initial Sole Parent Support are paid in cash to be used as the recipient sees fit. Electronic Income Management primarily applies after a recipient uses up their Employment Insurance entitlement and moves to Jobseeker Support, or has more children while on a benefit. The second point is that it is not the recipient's money. It is taxpayer money and has always been given under a range of conditions such as seeking work.

WHERE WE'LL GET TO

ACT's vision is of a society that reaches several important goals. No child goes hungry. Nobody feels stigmatized for claiming Employment Insurance for a short time. Our system is modern. It is in touch with reality of modern careers and uses modern technology to achieve the right outcomes. People who would abuse the system find that they are not given endless cash, but are carefully monitored and have controlled access to the essentials the taxpayer thought they were funding. Altogether, New Zealand has a social security system fit for the 21st century and its people.