

Social Unemployment Insurance

a case (more or less) in favour

Abstract

Budget 2021 announced a social unemployment insurance (SUI) system, to be developed in partnership with BusinessNZ and the New Zealand Council of Trade Unions, and modelled on the accident compensation (ACC) scheme. This new policy addresses the needs of workers involuntarily laid off as industries restructure and seek new skills. This article considers concerns raised about the SUI proposal, drawing comparisons with the ACC experience. While SUI would perpetuate market income inequalities and may not do much to prevent poverty, it could also reduce other sources of inconsistency and disadvantage.

Keywords social insurance, accident compensation, redundancy, employment, inequality, welfare

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The Ardern government's proposal to introduce social unemployment insurance (SUI), announced in the Budget in May 2021, was stimulated partly by the need for ad hoc income relief payments in the Covid-19 lockdown for those laid off, alongside wage subsidies to sustain employment relationships. (For more on the Covid-19 income support response, see Rosenberg, 2020 and Fletcher, 2020.) The minister of finance, Grant Robertson, also harked back to the job losses caused by the global financial crisis of 2008 and the Canterbury earthquakes. Large numbers of people lost their jobs through no fault of their own, nor due to planned restructuring. The minister connected the proposed SUI with rapid technological innovation, changes in demand for skills, and hence the need for workers to transition and upskill from time to time during their careers.

An aim of SUI, then, appears to be to reduce uncertainty and stress about household incomes during such career changes, and to support retraining and re-employment. Thus the Labour government is recognising and addressing underlying transformations that may affect 'the future of work' through a social security apparatus that adapts to change within a flexible

labour market, rather than seeking to preserve job security or tenure. This alone is a significant political concession (some might call it a betrayal) on the part of a Labour party. And the minister's statement on the SUI proposal was sketchy and speculative. It resembles, however, a recommendation for New Zealand made by the OECD:

Consider replacing the voluntary redundancy payments with a mandatory active redundancy insurance scheme that integrates early intervention support and redundancy payments. The insurance scheme could cover all workers irrespective of their individual work contract and can be financed by a payroll-based levy. (OECD 2017, p.21)

At the time of writing, the only social security supports for workers going through such transitions were income-tested welfare benefits, normally 'jobseeker support' if the person is looking for full-time work. Other entitlements may include supplements for accommodation costs, Working for Families tax credits and childcare subsidies. The outcomes in New Zealand, according to the OECD, have not compared well with the experience of other economies.

While many displaced workers in New Zealand find a new job quickly, ... wage losses for re-employed displaced workers reach 12% in the first year after displacement, compared with negligible wage effects in Germany and the United Kingdom and a loss of 6% in the United States and Portugal. While on average these wage losses are offset by redundancy payments in the first year after job loss, the average annual personal income for displaced workers in New Zealand (including government income transfers and redundancy pay) is about 20% lower in the second and third year after displacement than for non-displaced workers with similar characteristics. (ibid., pp.13–14)

Partly due to income testing, the OECD found that 'in 2015, only about one-third of the stock of non-employed workers,

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laid-off or made redundant from their previous job reported welfare benefit receipt' (ibid., p.15). So New Zealand's income-tested welfare is not effectively providing transitional support in these circumstances. There has been insufficient pre-termination re-employment assistance, other than that provided by employers. Furthermore, those who end up with lower wages in a new job are likely also to experience professional downgrading, which is a loss to the economy of their potential for skilled labour. The OECD commented that, in New Zealand, employers and public employment services should take a more proactive approach to transitions caused by job displacement.

ACC as a model

It is useful to compare the welfare supports for workers made redundant with the support from ACC for workers incapacitated due to personal injury. When an accident causes personal injury or death – even when there are a large number of victims, such as in the 2011 Canterbury earthquake – the ACC scheme is fully funded and ready to provide medical treatment, social and vocational

rehabilitation and payment of normally 80% of previous individual gross income on a no-fault basis. In cases of work incapacity, the weekly compensation payments are based on individual income lost rather than needs: they are the same regardless of whether the accident occurred at work or outside of work and regardless of the total household income. And dependent spouses and children may also receive compensation payments in recognition of the support they have lost, if the injury is fatal. Furthermore, there is post-injury support for social and vocational rehabilitation.

No-fault cover under ACC makes up for the ban on the right to sue for compensatory damages in all New Zealand courts. But the rationale behind the scheme concerned social and economic goals, not only legal issues. The architect of the ACC system, the late Sir Owen Woodhouse, established that there is a 'community responsibility' to address the personal, familial and social impacts of personal injuries, *and* there is an economic interest in ensuring that workers return to productive employment to the maximum degree possible and as soon as possible, without wasteful, stressful and inequitable litigation.

The SUI proposal is modelled on ACC, but it will have a defined time limit and it lacks the rationale of ending wasteful litigation that underpinned the ACC law in the 1970s. And, whereas ACC has a legislative mandate to prevent accidents, SUI will be facilitating redundancies, not preventing them. Like ACC, however, SUI will provide 80% of income, albeit for a fixed period of time, with minimum and maximum caps. It will be linked to training opportunities (in ways that have not been described publicly in detail so far).

The SUI proposal was greeted with some valid objections: for example, from the Child Poverty Action Group (Child Poverty Action Group, 2021). The present article considers some of those objections, and, without aiming to overturn them, offers some views in favour of SUI nonetheless. As the proposed scheme has been likened to the well-established ACC model, it is possible to consider some of the pros and cons of SUI based on that experience. Elsewhere I have argued that

ACC – conceived in 1967 and implemented in 1974 – has been a success story in New Zealand’s public policy history (Duncan, 2019b). It was the product of legislative reforms by both National and Labour governments. As a state monopoly it survived two waves of efforts to open it up to competitive multi-insurer provision. Successes in public policy are never unqualified, however. ‘Successful’ doesn’t mean ‘problem free’. The issues identified by critics of the SUI proposal can also be raised about the ACC scheme.

Perpetuation of inequalities

Income-replacement or social-insurance models replicate the income inequalities that already exist in the labour market. This particularly affects people in insecure employment with low and variable earnings and with uncertainties about hours per week and about how long their jobs will last. Insecure employment is more likely to be experienced by women than by men, by Māori and Pasifika workers than by Pākehā workers, and by workers who are young and those who have a disability (New Zealand Council of Trade Unions, 2013). Inequities are complicated by the likelihood that those who are already better off and with higher education find it easier to pursue their rights and get their claims accepted in the first place.

Looking at the ACC example, there is a sense of ‘guilty as charged’ here. By paying out normally up to 80% of previous incomes, the scheme leaves pre-existing income inequalities in place. The maximum weekly compensation rate at the time of writing was \$2,066.58; that caps the unequal outcomes, but doesn’t eliminate them. The social dimensions of inequities in the ACC scheme were revealed in a series of briefing memos from ACC to the responsible minister, Carmel Sepuloni, obtained by Radio New Zealand (Bradley, 2021).

Inter-ethnic inequalities in market incomes are perpetuated under ACC. But, even before people have claimed weekly compensation, access to cover is inequitable. Māori have higher rates of serious injury than non-Māori. Serious injuries are routinely registered as claims by medical practitioners, but when all claims, including minor injuries, are

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counted, the rate of claims is lower for Māori than for non-Māori, and particularly lower for Māori women. This is a case of the ‘inverse care law’: those who need access to care the most are receiving it the least frequently. The multiple factors contributing to this inequity include allegedly the history of colonisation and consequent institutional racism, a greater exposure to injury-related risks, especially at work, and legislative provisions that focus on the individual and not on families. Gender inequality is also found in ACC, exacerbated by the fact that, due to gender differences in occupational risks, men are more likely to experience injuries that necessitate time off work, and for longer periods. Men lodge more ACC claims for cover than women, and the disparity is greater when it comes to claims for weekly compensation. Furthermore, personal injury related to pregnancy and childbirth has often been declined cover due to the ACC legislation (Bradley, 2021).

A current bill amending the ACC legislation will address cover for injury caused during childbirth, and ACC does make administrative and service-level efforts to address inequalities of access and entitlement. But the proposed SUI would face similar issues. International evidence indicates that ‘for a subset of displaced workers who experience professional downgrading – mostly women, older and mid-to-high-skilled workers – displacement brings in its train substantial human capital losses’ (Quintini and Venn, 2013, p.44). The development of the SUI proposal should build in – from the very beginning – legislative frameworks and delivery models that seek to improve access across occupational, age, gender and ethnic groups, rather than simply ‘baking in’ inequalities and institutionalising ageist, racist or sexist presumptions. Special attention is needed in assessing fair income-replacement entitlements for those who have had insecure employment with variable levels of income. And cover should not be declined simply because a worker is at or near the age of eligibility for New Zealand Superannuation. A person aged 65 or over may still want re-employment.

For casual or non-permanent employees, the calculation of ACC weekly compensation is based on all PAYE earnings in the year before the injury prevented the person from working. For lower-paid people who are underemployed, or who experience breaks in earnings due to termination of casual and fixed-term employment, weekly compensation replicates the pre-existing disadvantages. The proposed SUI scheme may not do much better. The legal definition of redundancy would be crucial here, as workers who are simply ‘let go’ on termination of a fixed-term or casual agreement, rather than through a formal redundancy process, may not be covered at all. (At the time of writing, this level of detail was not available.) Any such social insurance scheme will deliver higher transitional benefits to workers who have had ongoing contracts with steady and higher wages. But those who have had insecure employment should not be excluded or put through unduly complex application processes to verify previous earnings.

Unlike ACC, SUI would presumably be unable to cover the self-employed, as they have no employer to make them redundant. This will lead to controversies affecting those workers who are bogusly employed as ‘independent contractors’ or ‘owner-operators’ but who are effectively working as full-time employees, as are, for example, many couriers.

Return to work

The proposed SUI would add to the complexity of the social security system overall, so there needs to be a good reason for having it. SUI supposes that there are two basic problems in need of a solution: first, that occasional redundancies and career changes are now a normal part of a person’s career (as it is considered, even by the Labour Party, that job security is a thing of the past); and second, that the current social security system is not well-enough prepared for unexpected events causing large numbers of lay-offs at once. By providing social insurance cover for incomes, at least temporarily to smooth out the financial consequences of such events, the country would collectively address adverse circumstances that are judged not to be the fault of the individuals affected. This is similar to the thinking behind ACC: a certain rate of personal injury is inevitable, given the numerous work and recreational activities that we undertake and value, and, as we all benefit from such activities, and we are all at risk of injury, we should collectively insure against the consequent economic losses. Finding fault and leaving individuals to cope don’t get us the social and economic outcomes we want. (Inevitably there are value judgements underlying such policy choices, but Woodhouse stated them openly and clearly in the 1967 royal commission report that led to ACC. These value judgements have been more or less supported by successive governments, including Arden’s.) The objective is to return the affected person to, or as close as possible to, their previous social and vocational status as soon as possible.

Admittedly, ACC has not been required by recent law to concern itself with claimants’ skills and incomes once weekly compensation is terminated. This is problematic in cases where the injured

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person is unable, due to permanent partial impairment, to return to a previous skilled occupation and wishes to retrain for a new occupation at a similar status, skill level and/or income. The injured person can be deemed ‘fit for work’ in a lower-skilled occupation even when there is no actual job available (Duncan, 2019a). An amendment bill (at the time of writing expected to be introduced to Parliament) will, however, require ACC to take account of pre-injury incomes in the process of assessing readiness to return to work, or ‘vocational independence’.

In a flexible labour market affected by technological innovation and Schumpeterian ‘creative destruction’, it makes a lot more sense for employers, unions and the government to collaborate on systems that will preserve or even enhance workers’ skills as they face the almost inevitable career transitions, rather than allowing people to go without support or retraining. (It is not at all clear, though, why the government is not as actively seeking to improve public employment services for transitions from formal education into work, or from raising children back into work.)

Evidence suggests that those covered by ACC return to work sooner than those with

comparable levels of impairment who are on working-age welfare benefits. This goes against what one might expect if we look at the apparent economic incentives. Since ACC weekly compensation entitlements are generally higher than welfare benefits, the incentive would appear to be to stay on ACC for longer, if one can. A study that compared outcomes for ACC-covered and non-ACC-covered incapacities by matching age, sex and functional impairment (McAllister et al., 2013) and another comparing two samples with spinal-cord injuries (Paul et al., 2013) have found that those on ACC were less likely to have inadequate incomes, and significantly more likely to have returned to work.

Why would a higher income-replacement rate not disincentivise – and hence lower the rate of – return to work? Admittedly, it is not possible to find perfectly matched samples across ACC and non-ACC disability, and there may be intervening factors that make ACC claimants, on average, more motivated to return to work. On the other hand, the no-fault, non-income-tested and higher ACC entitlements reduce the stress of adjustment to an involuntary break in employment; hence they reduce the complications attendant upon rehabilitation and retraining.

In the disability field, it has been found that putting less focus on strict rules for cover and entitlements and focusing instead on work-related interventions and rehabilitation leads to better return-to-work outcomes on average (Anema et al., 2009). Stress caused by dealing with a social security system detracts from positive health and employment outcomes and has been correlated with poorer long-term health and disability status (Grant et al., 2014). Those on ACC weekly compensation tend to fare less well economically in the long term than those who have never suffered a serious incapacity for work (Crichton, Stillman and Hyslop, 2011), but those who are incapacitated for work by illnesses that are not covered by ACC receive even less support. If the incapacitated worker doesn’t have to deal with so much stress establishing entitlements and adjusting to termination of employment, then the job of finding a new job may be briefer and easier.

If these kinds of findings generalise from disability to redundancy among the able-bodied (admittedly, an unproven inductive inference), then an automatic no-fault insurance cover may benefit those made redundant and improve return-to-work rates. Those jurisdictions that have more proactive re-employment schemes, such as Ontario and Sweden, get better outcomes (OECD, 2017). Hence, it may make sense to create a new branch of social security for unemployment insurance and also retraining, just as it made sense in 1974 to extend the former workers' compensation scheme to cover everyone in New Zealand on a 24/7 basis, with a strong emphasis on rehabilitation.

Litigation and discrimination

A predictable effect, however, is to create new causes for disputes about cover at the boundaries between the different branches of social security. People litigate to establish that they do have cover under ACC rather than to escape from ACC cover, thus 'voting with their feet', so to speak. Not many injured people go to court to argue that ACC doesn't cover them, even though that could free them, in principle, to sue for compensation. There would be a similar set of disputes over SUI cover, although it is hard to predict at present what the causes would be, as we don't yet know how cover is to be defined. One question will be cover for termination of employment on medical grounds, which would bring the SUI system into closer proximity to ACC as it is disability-related. (ACC already covers work-related illnesses.) And one might speculate that when an employee and employer negotiate a termination on performance-related grounds or because of an alleged personal grievance, the parties could be tempted to present the event as a redundancy to socialise the costs to the employer and ensure protection of the employee's reputation.

A long-standing source of grievance in the disability community arises from the disparity in entitlements for those covered by ACC and those who rely on welfare and public health. A case claiming discrimination on grounds of disability was brought by a woman with multiple sclerosis before the Human Rights Review Tribunal in 2007. Her income and

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rehabilitation entitlements were much lower than she would have received had she been covered by ACC. The matter went to the Court of Appeal, which agreed that there was *prima facie* discrimination, but found that this was justified under section 5 of the New Zealand Bill of Rights Act. The ACC law was originally intended to overcome the anomalies in the common law actions for negligence, and so the disparity it created was considered reasonable and lawful. Furthermore, the court agreed with the Ministry of Health that the disparity arose from the *cause* of disability, not disability per se (as comparable with those with no disability), and that 'cause of disability' is not a prohibited ground of discrimination (*Trevethick v Ministry of Health* [2008] NZCA 397). From the point of view of a plaintiff with severe disability, this was neither fair nor reassuring.

The disparity between ACC and public health support was also highlighted around the payment (or lack of payment) for domestic care for persons with a disability when the carer is a family member. In its 2010 decision, the Human Rights Review Tribunal saw fit to comment on the relevant fact that ACC paid family member carers, while the Ministry of Health was making

submissions that it should only have to pay carers who are not family members (*Atkinson et al. v Ministry of Health, Human Rights Review Tribunal*, 01/10, HRRT 33/05). This weakened the ministry's case, which was unsuccessful. Subsequently, the government rushed legislation through with the 2013 Budget to block any further such claims.

It is possible that the disparity between SUI and welfare entitlements could lead to a discrimination case. Suppose, for example, an employee leaves their employment at the end of a fixed term and applies for the jobseeker allowance, but they find that others who were working at the same place and were made redundant around the same time receive SUI at 80% of their previous wages. Would this be discrimination based on the prohibited ground of employment status, comparing those who formerly had fixed-term employment with those who had no fixed term? Or, would the SUI legislation satisfy the section 5 New Zealand Bill of Rights Act test? Even if it did, the disparity would still generate discontent. Social insurance schemes coupled with a safety-net welfare system create two-tier systems that are perceived as discriminatory and stigmatise those on safety-net welfare. The ACC scheme has been accused of this, and it is predictable that SUI will be too.

But, at present, workers who are displaced due to redundancy get supports that differ dramatically for no discernible merit-related or wellbeing-related reason. A few (mainly the better off) may have private income insurance; some may get generous severance payments as per their employment agreements; some can only fall back on a welfare benefit; others get nothing at all due to income testing. It was a similar set of inconsistent provisions (unpredictable common law remedies, no-fault workers' compensation, motor vehicle insurance and social security) that moved Woodhouse in 1967 to propose a universal no-fault accident compensation scheme with a dedicated levy. A levy-based system that provides time-limited income replacement to anyone made redundant can be more equitable across the spectrum of displaced workers, especially if it readily accommodates those who have had variable earnings. Such a system could also

induct workers into an outplacement and retraining programme even before their employment has formally terminated. Redundancy can sometimes lead to better employment, and an effective income protection and retraining system can improve the chances of that, especially if employers, employees and trade unions collaborate. The trade-off could be that employers phase out large redundancy payments on the grounds that the laid-off worker gets an automatic entitlement to income replacement at 80%. The costs of redundancy payments presently pose a financial obstacle to restructuring processes, and so it may make more sense from the employers' viewpoint to contribute small amounts regularly to an SUI scheme than to build up large redundancy liabilities. From the trade unions' point of view, anything that facilitates redundancies is undesirable, unless there is generous no-fault compensation and an effective re-employment scheme to make up for it.

Redundancy clauses in collective agreements – mainly in the state sector – are unlikely to be affected in the short term. But, in the longer term, cancellation of redundancy payments could be on negotiation tables once SUI is available, especially as the levy to fund it would be visible to all concerned. Employers are likely to welcome SUI, then, as schemes like this and ACC impose relatively predictable and affordable costs of doing business compared to the alternatives. One impediment to restructuring and flexibility is the cost of redundancy pay-outs. Workers could find such severance payments being phased out of employment agreements as employers cite SUI as the back-up.

Addressing social needs?

Some critics of the SUI proposal have argued that scarce resources would be better spent on relieving child poverty. Not only is addressing child poverty an urgent social need, it is also a cornerstone of the Ardern government's agenda.

In ACC weekly compensation assessments, the focus is on income lost due to personal injury. Family/whānau-related needs, especially of children, are not considered. On one hand, a family with dependent children is maintained at a level

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closer to the previous income, hence preventing household poverty, whereas the jobseeker allowance is income-tested against the earnings of the spouse. But the ACC weekly compensation entitlement doesn't adjust according to the number of children and isn't designed to prevent or alleviate child poverty.

So, for example, a single parent who lost a job has quite different outcomes depending on whether they receive ACC payments or a main welfare benefit. The former may be more generous in most cases, but take no account of the family's size. If the parent's previous wages or hours of work were already inadequate to support the family, however, then the 80% income replacement under ACC will be even less adequate. Against this, the Working for Families family tax credit and in-work tax credit still apply while on ACC weekly compensation. Welfare benefits start from a low base and take account of the number of children as well as accommodation costs, but the Working for Families tax credits are lost.

The situation is very different for a two-parent family in which both parents were working. An injured parent on ACC gets 80% income replacement, and the household income is lessened but not by much. If, however, the incapacity was due to an illness or redundancy (under present policy without SUI), then income testing of the spouse leaves the household to rely on one market income, although Working for Families tax credits and the accommodation supplement may help. SUI would obviate that problem in the case of redundancy, but not normally for illness-related incapacity (unless extended to cover illness). And then there would be different consequences for the support available for the children. A two-parent family would be worst off if illness happened to be the problem affecting one of the two earners, rather than personal injury or redundancy. Public policy can't help us choose which misfortunes we suffer, and certainly the children have no say in the matter.

In some cases, SUI could be instrumental in preventing a decline into poverty for a family, even though that's not the main aim of the proposal. SUI wouldn't directly address the country's biggest social policy problem: child poverty. Some critics have held this against SUI. The ACC-related analogy would be to argue that the New Zealand government should never have extended the workers' compensation model to non-work injuries and to those not in employment, as the resources would have been better spent on alleviating poverty among low-income families with children, regardless of the cause. This has some merit, but to follow that argument through to the present would mean deducting from ACC's higher entitlements in order to meet the needs of another group. Given that accidents can happen to anyone, it may be that most New Zealanders would accept the opportunity cost created by ACC, if they were asked. Furthermore, the ACC scheme is more or less fully funded now: that is, the reserve funds could pay for the (estimated) net present cost of all current open claims. And so most claimants are drawing on a system to which they've contributed. This is made possible by dedicated levies that have built a financially sounder system (with its own investment portfolios and revenues) than pay-as-you-

go welfare. From the point of view of those incapacitated due to congenital disability or illness (and not covered by ACC), it makes more sense to follow Woodhouse's suggestion to extend social insurance to all forms of disability (Duncan, 2016), rather than reduce ACC entitlements to match health-related welfare benefits.

The costs

With the parameters of the scheme yet to be finalised, there are no clear estimates of the financial costs of SUI, including the public employment services that would be needed to make it effective. Nor is it clear (at the time of writing) how those costs would be met, and by whom. Will it be funded by levies on employers or employees, or both, and/or with government contributions? If there is an employee levy, does this mean that workers would effectively be paying to fund their own redundancy packages?

One estimate, based on up to 12 months' entitlement at 80% of previous wages, arrived at an average annual payment of \$0.65–\$1.10 per \$100 earned per worker. (Currently earners pay an ACC levy of \$1.39 per \$100, and employers' levies vary by industry.) But what then would be the possible benefits of SUI to the economy as a whole? There are assumed to be wage-scarring costs of lost skills and productivity due to job displacement. Estimating such costs would ideally take account of those who fail to find a new job, take longer than necessary to find a new job, or find a new job that does not match their skills and potential productivity. The overall cost to individuals and to the economy of redundancies can't easily be estimated, but the OECD evidence cited above suggests that New Zealand is getting poorer outcomes than comparable economies. Officials have estimated that the lifetime and economy-wide costs of wage scarring may be roughly ten times the estimated cost of an SUI scheme. But we don't know how much, if at all, SUI, once implemented, would reduce those wage-scarring effects. SUI costs would be offset by reduced demand for welfare benefits, but again the extent of this is not known (Ministry of Business, Innovation and Employment, 2020).

We also don't know what the relative contributions to projected better outcomes

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would be from the 80% income replacement compared with early intervention by employment services. If the latter is the critical factor, then one would have to ask why the government doesn't just improve employment services to *all* those who are seeking work, including new entrants to the workforce and older workers seeking a change, not just to those who have been involuntarily laid off.

Recommendations

The various objections to SUI have some validity. But if they were robust, they would also call into question ACC – although the latter critique also brings up the right to sue. Yet it can be argued that ACC has been a long-term success, despite its known shortcomings. If so, then the proposed SUI deserves at least qualified support, subject to learning more about the details. The fact that SUI (unlike ACC) is not intended to address inequitable and capricious outcomes of negligence actions is relevant to this debate. But problems with the law of torts were not the only concerns on Woodhouse's mind in 1967. He also gave cogent social, vocational and efficiency reasons in an accident compensation scheme's favour.

Woodhouse's aim was always to restore the injured person, as far as possible, to a level of social and occupational functioning

that he or she had previously enjoyed. Rehabilitation was to be the first goal, followed by compensation. The success of SUI will depend not only on the degree to which it provides a 'bridging' income for individuals and families going through the stress of a redundancy process and job search. The legislated aims and the practical effectiveness of its re-employment and retraining services will be crucial.

- Early intervention, beginning at the initial consultation stages of redundancy processes, is essential. This should include formal recognition of prior learning and of skills acquired on the job.
- Insurance should be available to the widest range of workers possible, and cover should apply to all redundancies, not just large restructuring processes in large enterprises. Inclusion of small and medium-sized firms is essential.
- Training options should be negotiated with and tailored to the needs of the individual. This implies a well-organised and resourced public employment service.
- The SUI scheme should proactively address inequitable outcomes correlated with age, gender, ethnicity and prior employment insecurity. It should anticipate possible sources of discrimination when compared with other branches of social security.
- Levies should be set at a level that builds a reserve fund to cope with large-scale job losses during a major economic shock and, when the economy is strong, to generate investment income. One can anticipate pressure to see the scheme fully funded on an actuarially valued basis (just as ACC is) so that it doesn't have a negative impact on the Crown balance sheet.

Conclusion

Although we have yet to see a detailed plan for social unemployment insurance, we can draw some initial conclusions. Under the present system, workers involuntarily laid off receive a range of possible supports – or sometimes none. The outcomes are often negative and inequitable, especially for those in precarious employment. The proposed SUI financial and re-employment provisions could lead to better outcomes,

based on comparisons with other OECD countries and with ACC. The ACC model indicates how SUI might work, what its benefits might be, and what some of the drawbacks might be. The effectiveness of

retraining will be crucial. Adding a second tier to social security for unemployment will create inequalities and inequities, however. These can't be entirely eliminated, but should be addressed and mitigated,

as far as possible, in the design stages. A detailed plan needs to be published for debate as a party election policy, given the significance of this proposed reform.

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