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Business South opposes aspects of proposed redundancy scheme

After canvassing its 1600 Otago and Southland members, Business South has made a submission challenging aspects of the Government's proposed New Zealand Income Insurance Scheme.

The scheme would offer financial support to workers who are made redundant through no fault of their own, or lose their jobs due to health conditions or disabilities, providing them with 80% of their income for up to seven months.

While Business South welcomes a number of aspects of the proposal, Chief Executive Mike Collins says there are some concerning implications for business as it currently stands – particularly for small to medium enterprises (SMEs) who make up 97% of the country's business landscape.

“There should be exemptions for businesses that already have appropriate redundancy provisions in place to support employees,” he says. “Employers should be able to opt-out of the scheme where they can demonstrate an existing scheme is operating well.”

Business South is also opposed to including health conditions and disabilities in the scope of the scheme, which would double its cost.

Mr Collins says the scheme is poorly timed, given the sustained cost pressures on businesses.

“It is unfair to levy employers at a time when costs are rising and businesses are still recovering from the impacts of COVID-19,” he says. “Our members cannot see the benefit of introducing this now – it could be the straw that breaks the camel's back for many. We consider a more appropriate time would be in two to five years from now.”

Business South believes the scheme would be better funded by reprioritising existing Government spending and/or a reduction in corporate tax.

Workers would also be required to contribute to the scheme through a levy, and Mr Collins says this would have a significant and disproportionate financial impact on low-income workers. A worker on minimum wage would be required to contribute approximately \$12 per week.

However, Business South acknowledges there is merit in a scheme that invests in people's skills.

“The country would benefit from a highly productive workforce that has well matched skills to job opportunities. The scheme proposes support for retraining and allowing time to match people to the right jobs – this means individuals will not be forced to take a job that underutilises their skills and provides lower pay merely to survive.”

Regionally, an income insurance scheme has the potential to soften the blow for a region where a large employer winds down their operations quite abruptly. It could also help to address some potential risks of the future.

“There are a number of possible disruptions to traditional work and jobs – such things as an increasingly digital and high-tech economy, moves towards a low carbon economy, and the upheaval caused by global shocks or pandemics,” he says.

“However, it is important that any income insurance scheme is fair to both employers and employees and doesn’t burden them with unsustainable costs.”