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ISSUE **61** | Winter **2022**

Welcome to the Winter edition of *Commercial eSpeaking*. Our lead story is a commentary on The Budget delivered by the Minister of Finance on 19 May.

Also covered is the government's proposed Income Insurance Scheme – a topic of much interest to both employers and employees; and on page 4 we have the Business briefs section.

We hope you find these articles to be both interesting and useful.

To talk further with us on any of these topics or indeed any other legal matter, please don't hesitate to contact us – our details are on the top right.

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2022 Budget

Commentary on the main points

The Minister of Finance presented the government's Wellbeing Budget 2022 to the House on Thursday, 19 May.

With inflation running at a 30-year high at 6.9%, and similar levels of inflation with most of our trading partners, rising interest rates, the stock market in the doldrums, the knock-on effects of the Ukrainian war and the continuing situation with Covid, the government is walking an economic tightrope.

We provide a commentary on the main points of the Budget.

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Proposed Income Insurance Scheme

Would be compulsory for most Kiwis

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In February, the government proposed a new compulsory insurance scheme for all employees. This would provide most Kiwis with 80% of their regular salary for a minimum of seven months if they lose work through no fault of their own (including a health condition or redundancy).

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2022 Budget

Commentary on the Minister's main points

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With inflation running at a 30-year high at 6.9%, and similar levels of inflation with most of our trading partners, rising interest rates, the stock market in the doldrums, the knock-on effects of the Ukrainian war and the continuing situation with Covid, the government is walking an economic tightrope.

With an eye on the late 2023 general election, did the Budget give short-term relief for New Zealanders or did it take the long-term view for the good of the country? The government has probably put a dollar each way.

Cost of living

To help mitigate inflation and the squeeze on the lower-middle income sectors, the government has established a $1 billion cost of living relief package. This includes a one-off $350/person cost of living payment for the estimated 2.1 million people earning less than $70,000 per annum and who are not eligible for the winter energy payment. This $350 payment will be made in three instalments from 1 August.

The half-price public transport fare regime (introduced to run from 1 April – 30 June) will continue for an additional two months to 31 August, as will the reductions in fuel excise and road user charges. There will be ongoing concessions for Community Services card holders.

The government is attempting to quell some elements of the current supermarket duopoly. On 19 May, it introduced legislation[1] to ban covenants over land as a barrier to supermarkets accessing new sites thus restricting competition. There will shortly be more announcements in response to the Commerce Commission's recent report on the operation of New Zealand's supermarkets.

Business

Businesses that had been expecting a significant Budget boost may be disappointed.

The government has, however, announced some support for small and medium-sized enterprises (SMEs) through a $100 million Business Growth Fund. Working alongside the retail banks, the government can buy a minority shareholding in appropriate SMEs. Privately operated and independently managed, the Fund will support SMEs where equity funding may be preferable to debt finance.

The Minister of Finance says, "The Fund would always be a minority investor [in an SME] with a seat on the board, offering guidance and expertise, but always leaving owners in control. [The Fund] will improve SMEs' access to finance, enabling them to grow, create jobs and increase their contribution to our wider economic development."

1 Commerce (Grocery Sector Covenants) Amendment Bill.

Although the concept is new to this country, similar funds have been successful in countries such as the UK and Australia.

The government has allocated $60 million towards the implementation of its proposed Income Insurance Scheme; it expects the Scheme to be operational in 2024. There is more about the proposal on page 3 **here**.

For Kiwis who live in broadband's 'worst served' areas, the government has allocated $60 million to improve broadband infrastructure.

There is $132 million allocated towards industry transformation plans for the construction sector, advanced manufacturing, agri-tech, digital and primary industries.

Health

The health sector is a big winner in this year's Budget with an allocated $11.1 billion operating budget for the new Health New Zealand entity over the next four years. There is another $1.3 billion earmarked for health capital investments including specific allocations for Whangārei and Nelson hospitals, and the Hillmorton mental health project in Christchurch.

The financial deficits of district health boards will be wiped allowing Health New Zealand to start with a clean slate on 1 July.

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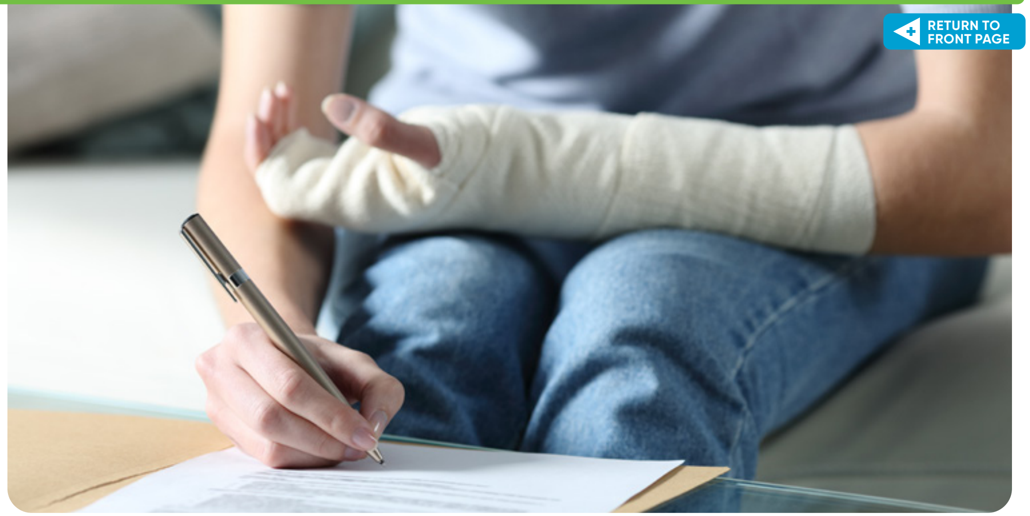

Proposed Income Insurance Scheme

Would be compulsory for most Kiwis

Every year, more than 100,000 workers in New Zealand are laid off or lose their jobs through no fault of their own.[2]

In February, the government proposed a new compulsory insurance scheme for all employees. This would provide most Kiwis with 80% of their regular salary for a minimum of seven months if they lose work through no fault of their own (including a health condition or redundancy).

We look at what the proposed scheme would involve and whether you as an employer should prepare.

Why introduce such a scheme?

Mass and dramatic redundancy of workforces has been experienced in New Zealand during the 2007–09 global financial crisis, the Christchurch earthquakes in 2010–11 and the current Covid pandemic. These events cause significant economic stress on employees and their families while also impacting the broader community as there is decreased consumer spending. The government claims the scheme will also help close the income gap and make income support available to people who cannot work due to non-accident-related health conditions.

What would it entail?

The proposed scheme would provide coverage for total loss of work due to redundancy or health conditions (including disability). It will *not* cover an employee's reduced hours, reduction from full-time to part-time hours, or unemployment due to a dismissal or resignation.

How much coverage?

To comply with this scheme, employers would have to give a statutory four weeks' paid notice of termination to their employee. In circumstances where an employer is unable to make that payment, the scheme would pay it and seek reimbursement from the employer's liquidator.

Employees would then receive 80% of their usual salary for up to a further six months paid by the government. Payments would be capped at an annualised salary of $130,911. In some circumstances, the support could be increased to 12 months if the recipient is using the time to retrain or undertake medically required rehabilitation.

To continue to receive the coverage, each recipient would need to prove they are continuing to look for new work, are taking part in training/further education, are medically unfit for work or undertaking medical rehabilitation.

Who will be eligible?

To be eligible for the proposed insurance coverage, an employee would need to have contributed to the scheme for at least six months in the immediately preceding 18 months. An exemption is proposed for someone who does not meet the contribution timeframe if they have been on statutory parental leave.

Fixed-term and seasonal workers on short-term contracts would only be eligible to receive coverage until the end of their contracted period, ie: if someone lost their job two months before the contracted end date, the scheme will only cover the two-month period of lost work. However, any fixed-term or casual worker who could show a regular pattern of work with an employer and have a reasonable expectation of ongoing employment will be eligible for full support.

The government is yet to issue a position on how the scheme would treat the self-employed or contractors. It is possible this will be dealt with on a case-by-case basis to determine eligibility and ensure work is not being rejected just to gain access to the scheme.

Paying for it

Nothing comes for free. It is proposed that the Income Insurance Scheme will be administered by ACC and, as such, will be funded in a very similar way by levies. The government estimates that it will require a 1.39% per annum levy from both employers and employees to successfully fund the scheme (resulting in a total levy of 2.78% per annum of the employee's gross annual salary). The levy would be reviewed after two years and, if insufficient to cover the number of people it is supporting, could be raised.

Do I need to make changes to my business?

If the scheme goes ahead, it could become operational in 2024. Until there is a known date and more detail, however, businesses need not take any specific steps to prepare. In the meantime, you should review your own personal insurance or any insurance you offer to your staff. +

2 Employment New Zealand/MBIE.

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Business briefs

Fair Pay Agreements Bill on the table

The long-awaited Fair Pay Agreements Bill was recently introduced in Parliament proposing a framework for collective bargaining of fair pay agreements (FPA).

What is an FPA? An FPA is an agreement that establishes mandatory minimum employment terms (such as wages or hours of work) across an entire industry or occupation that exceed the minimum entitlements outlined in employment law. Currently, an employer and employee are free to negotiate the terms of employment without being subject to fair pay obligations, provided the minimum entitlements in employment law are met.

What is the FPA process? A union initiates the bargaining process by applying to the Ministry of Business, Innovation and Employment (MBIE). If MBIE approves the application, the union begins bargaining with an employer association (that represents employers in the relevant industry).

What does this mean for employers?
If the negotiation is successful, all the employers in an industry covered by an FPA would have to provide their employees with at least the minimum entitlements required by the FPA, regardless of whether the employer engaged in the bargaining process.

The Bill also proposes granting employees and unions other rights such as the right for a union to enter a workplace without an employer's consent to meet with employees to discuss FPAs. This may be confronting to some employers, particularly smaller businesses that may be new to collective bargaining.

Next steps: Public submissions on the Bill closed on 19 May 2022, so we now await the Select Committee's report. The Bill is expected to become law by the end of 2022.

Proposed legislation to address modern slavery and worker exploitation

The government has released a **consultation paper** proposing new legislation to reduce modern slavery and worker exploitation in New Zealand and internationally. As currently proposed, the legislation may have a material impact on the way businesses operate in this country.

The paper defines 'modern slavery' as severe exploitation that a person cannot leave due to threats, violence or deception, including forced labour, debt bondage, forced marriage, slavery and human trafficking. 'Worker exploitation' is behaviour that causes material harm to the economic, social, physical or emotional well-being of a person, which essentially includes non-minor breaches of New Zealand employment standards (such as providing no less than minimum wage or annual holiday entitlements).

The legislation as proposed would require:

+ Organisations to take action if they become aware of modern slavery or worker exploitation in their operations or supply chains
+ Medium and large organisations to report on steps they are taking to address modern slavery or worker exploitation in their operations or supply chains, and
+ Large organisations to undertake due diligence to prevent, mitigate and remedy modern slavery and worker exploitation in their operations and supply chains.

Although this proposed legislation is not yet law, businesses should start considering now how these changes will affect the way they operate, and the consequences associated with any breach such as monetary penalties and reputational risk. MBIE is currently accepting submissions on the proposals, which can be emailed **here** before 5pm on Tuesday, 7 June 2022.

Incorporated societies – what's next?

After many years of consultation and deliberation, the new Incorporated Societies Act 2022 was finally passed on 5 April 2022. The Act's changes will affect all of New Zealand's 23,000+ societies.

The legislation puts in place a modern framework of legal, governance and accountability obligations for incorporated societies and the people who run them.

All existing societies have at least until 1 December 2025 to ensure their constitution complies with the new requirements and to apply to re-register under the new Act. Societies that do not re-register by that date will be removed from the register.

Although the Act is now in place, there are still regulations to be developed before existing societies can start the re-registration process. These regulations are expected sometime in the next 12 months.

We can help if you are unsure of your obligations under the Act or would like some help with the transition.

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2022 Budget

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Pharmac is to get a major funding boost of an extra $191 million over the next two years.

Climate change

The Emissions Reduction Plan is allocated $2.9 billion from the Energy Response Fund. There is $16 million over four years for community-based renewable energy projects from the Māori and Public Housing Renewable Energy Fund, and $31 million is for a Māori climate action platform.

More highlights

+ Māori and Pacific communities have been allocated a $580 million package across health, social and justice sectors
+ There are changes to the First Home Grants and First Home Loan regimes that take into account the significant increases in house prices
+ The Affordable Housing Fund will receive an additional $221 million
+ Public and transitional housing is allocated $1 billion
+ A new Ministry for Disabled People will be established – $108 million for establishment and support operations, and
+ Further funding has been announced for cultural organisations such as the New Zealand Symphony Orchestra, Royal New Zealand Ballet and the Waitangi National Trust Board.

Although times are tough right now, the government is optimistic that good times will return. Although a $19 billion deficit is expected this year, the government expects a return to surplus in 2025.

The Minister of Finance says, "Budget 2022 shows the economy is expected to be robust in the near term. It is expected to strengthen from the second half of this year, with annual growth peaking at 4.2% in the year to June 2023."

We have only had space to outline some Budget highlights. To read in more detail about the Budget go **here**. +

Business briefs

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Next stage of vaping legislation coming into effect

Changes made to New Zealand's vaping laws are being phased in, with the next changes taking effect over the coming months. The latest changes require all packaging for smokeless tobacco products and vaping products containing nicotine to include specific labels warning of the health dangers and addictive nature of the products. Critical dates for this labelling are:

+ **11 May 2022**: manufacturers and importers (should be achieved by now)
+ **25 June 2022**: distributors, and
+ **11 August 2022**: general and specialist vape retailers.

The staged approach is to allow for stock rotation of products with non-compliant packaging.

You can find more information on vaping regulation **here** or don't hesitate to talk with us if you need some help. +

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The next edition of *Commercial eSpeaking* will be published in **Spring**.

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