



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
N Z Council of Trade Unions
Te Kauae Kaimahi
to the
Accident Compensation Corporation
on the
2009-2010 Levy Rate
Consultation Documents**

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DDI 802 3816

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1. Introduction

- 1.1 This submission is made on behalf of the unions affiliated to the New Zealand Council of Trade Unions representing more than 350,000 workers throughout New Zealand. The CTU, and the Federation of Labour and Combined State Unions before it, have always taken a close interest in workers compensation issues and has taken an active part in the policy debates made submissions on every significant legislative change over the past thirty years. In addition the CTU played a leading role in the campaigns which led to the re-establishment of ACC as a national public fund scheme in 1999.
- 1.2 We have argued that the history of levy reductions demonstrates that extreme caution should be taken in setting levies and that a generous prudential margin should be allowed.
- 1.3 We have also noted previously that the cost of restoring fairness (both in terms of entitlements and the administration of them) should be factored into the projected ACC costs, in particular in relation to: the requirement in ILO Convention 17 to provide all necessary treatment should be provided for people who are injured in accidents at no cost to the injured person, and; the requirement in ILO Convention 42 to provide the same compensation to workers incapacitated by occupational disease as is provided to workers incapacitated by industrial accidents.
- 1.4 The CTU has supported enhancements to the scheme such as: cover for a mental injury caused by exposure to a sudden traumatic event in the course of employment; changes to the provisions for work-related gradual process, disease, and infection, to provide more clarity around whether cover is available and how it is determined, and to remove some existing barriers to cover; changes that allow greater flexibility to amend the list of occupational diseases provided in schedule 2, and; removal of the age-limits for eligibility for vocational rehabilitation. These changes are fully justified. For instance, we believe that the

greater support for occupational disease treatment indicates that there have been and still are significant costs for workers who suffer from occupational disease.

- 1.5 Although we support a generous prudential margin we have included comments in this submission about the pressures introduced by requirements for full-funding to cover the lifetime costs of treatment and rehabilitation and we suggest a more balanced approach.
- 1.6 The CTU takes an interest in all of the ACC Accounts but, in particular, the Employer and Earner Accounts.
- 1.7 Finally, the CTU with the support of ACC is now a major provider of workplace health and safety training. The primary motivation of this training is simply to reduce the numbers of deaths and injuries of workers. But effective training that can, all other things being equal, reduce the incidence of injury, also contributes towards minimising the costs of accident compensation.

2. CTU Submission

- 2.1 The CTU supports the announcement by Labour's ACC spokesperson, Maryan Street that the deadline for full funding will be extended from 2014 to 2019. On that basis, we oppose the level of increases of levies given that one reason for such high increases (e.g. in the proposed motor vehicle levy) is the cost of achieving full funding in the current timeframe.
- 2.2 The CTU advocates on behalf of earners and is concerned about the 21.4 percent increase in the earners levy. Workers have already faced considerable cost increases this year in respect of food and fuel costs and this is yet another increase. In addition, the CTU is concerned that there may be some shifting of

cost to the earners account from the employers' account due to less administration by GPs and others in respect of non-work claims.

2.3 The CTU fully supports the increased wages for carers. However we do question the assumption that such increased costs should be fully costed in over the long term with no consideration for technology and productivity improvements.

2.4 It is timely to reflect on the impact of a fully funded scheme. From the CTU perspective, ACC as an optimal scheme should not just be based on comprehensive, no-fault cover but should be a form of social insurance. The social insurance objective is undermined by the requirement for complete full-funding.

3. Extending the deadline for full funding

3.1 The CTU supports the call for legislation to be enacted to extend the deadline for full funding from 2014 to 2019. Our perspective is that the aim should be to smooth within that period rather than face steep levy increases in 2017/2018.

3.2 We believe that such legislation can be enacted prior to finalising this ACC Levy Review.

3.3 Therefore we do not support the proposed increase in the motor vehicle levy. A major proportion of that increase is due to the pressure to fully fund the costs of pre-1999 accidents. If that pressure is lessened then there is no requirement for an increase in the levy for 2009/10. We therefore submit that there should be no increase, or a reduction, in the motor vehicle levy.

4. Earners Levy

4.1 The CTU advocates in particular for those paying the earners levy. The ACC is proposing a 21.4 percent increase in this levy.

- 4.2 This comes on top of major cost increases faced by workers in the last year. Food prices rose in the year to August 2008 by 10.6 percent. Grocery food prices rose by 13.1 percent in the August 2008 year, while fruit and vegetables rose 19.1 percent. Over the past year cheddar cheese has risen 64.8 percent, bread 17.4 percent, milk 12.5 percent, and butter has gone up by 87.6 percent. There have also been significant increases in fuel costs.
- 4.3 The CTU is also concerned that there may be some shifting of cost from the employer account to the earners account. This is due to the perception that the administrative process for GPs and others is easier for a non-work accident. We note that there is no increase proposed for the employer levy.
- 4.4 Although there is little impact on the Earners Levy from pushing out the date for full funding, it nevertheless could slightly reduce the proposed \$0.079 increase in the levy rate for non-work injuries prior to 1999 and this should be factored in.
- 4.5 We note that there is an assumption of a 2.2 percent increase in the number of earners and an 8.3 percent increase in expected earnings for workers and the self-employed. However the Consensus Forecasts are for a 0.6 percent employment increase in the March 2010 year and a 4.0 percent increase in wages. We recognise that there are various other components that make up the 8.3 percent figure but we raise the need for careful analysis of underlying assumptions.
- 4.6 For these reasons the CTU is seeking a more modest increase in the Earners Levy and suggests that a 12 percent increase is more appropriate to \$1.40 (excluding GST).

5. Costs of Services

- 5.1 The CTU fully supports the increased fees and wages for carers. However we do question the methodology that fully costs in these increases in the long-term with no account taken of technology or productivity improvements or change in treatment régime.

6. Towards Genuine Social Insurance

- 6.1 The CTU submits that it is timely to reflect on the impact of a fully funded scheme. From the CTU perspective, ACC as an optimal scheme should not just be based on comprehensive, no-fault cover but should be a form of social insurance.
- 6.2 The social insurance objective is undermined by the requirement for complete full-funding.
- 6.3 Even if there was an objective of full funding for the 7 or 10 year cost of treatment and rehabilitation with the balance being covered by social insurance that would be more consistent with the objectives of the Accident Compensation Scheme.
- 6.4 This approach would be consistent with the purpose of the Act which includes:
- “to enhance the public good and reinforce the social contract represented by the first accident compensation scheme by providing for a fair and sustainable scheme for managing personal injury that has, as its overriding goals, minimising both the overall incidence of injury in the community, and the impact of injury on the community (including economic, social, and personal costs). . . .”
- 6.5 The CTU therefore submits that the ACC should re-examine the fully-funded model and seek a more balanced approach that reconciles the need for a levy-based system to cover the major costs of lifetime treatment and rehabilitation but without require absolute full funding in recognition that a social insurance element can be factored in beyond (say) the 10 year costs.

7. Summary

- 7.1 The CTU is supporting the proposed extension to 2019 of the deadline for full funding. We therefore oppose the increase in the motor vehicle levy and suggest a more modest increase in the Earners Levy.

- 7.2 The CTU is also requesting that the ACC re-examine the fully-funded model and seek a more balanced approach that reconciles the need for a levy-based system to cover the major costs of lifetime treatment and rehabilitation alongside a principle of a social insurance approach.