

**Question 4: What things (criteria) do you think should determine whether an individual should be able to get a wage supplement?**

If this proposal proceeds, it should be open to anyone who is assessed as being eligible for the wage supplement against an independent wage assessment tool, which would identify whether an individual's disability is a barrier to open employment.

The arbitrary cap on the number of people employed with a subsidy should be removed, as there is a significant under-served population who could stand to benefit.

**Questions 5 and 6: Do you think disabled people eligible for a wage supplement should be assessed to determine what rate of supplement is paid to the employer by the Government?**

Yes

- a. What things should be considered when determining how much an employer should contribute to the worker's wage, and how much should be paid by the Government?**

The Wage Assessment process is based on productive capacity, this is common with other approaches internationally, including Australia and the approach being considered by the Netherlands.

This approach should be maintained. The Government should contribute any assessed difference between an employee's productive capacity and the minimum wage.

Similar to the approach in Sweden, the Government contribution should include an additional component to Business Enterprises to acknowledge the higher expenses and greater risk they face through the proposed approach.

- b. Who do you think should assess individual employees' productivity and/or their skills and abilities? (e.g. Government, employer, someone else – please give as much detail as possible)**

There is need for an independent expert assessor, drawing on a consistent Wage Assessment Tool. We acknowledge the Labour Inspectorate's concerns that they may not have the required expertise – this expertise will need to be developed.

This should continue to be provided by the Government, although we are agnostic as to which Government agency it should sit within. It could be contracted to an expert provider, for example an industrial psychologist or an occupational therapist.

- c. What kind of Government oversight should be applied to employers making use of a wage supplement? Which Government agency or agencies do you think should fulfil this role?**

Any oversight needs to be carefully considered for the compliance burden that it will bring. A key component of promoting employment of people with disabilities is to remove disincentives or complexity for employers. Annual reporting and reviews by the independent expert assessor mentioned above would likely be appropriate.

### **Additional Comment**

Putting aside the presumption of a wage supplement, we believe that there is considerable merit in developing a consistent and validated wage assessment tool. We are keen to be involved in this process.

We agree that the development of an independent tool will likely need to be outsourced to an expert provider. This work should be scoped by a working group led by Government, with input from Business Enterprises, and people with disability, in particular those working at Business Enterprises. The development of the tool would benefit from a governance group spanning these groups.

As noted above, the operation of an independent tool would be strengthened by hiring of expert assessors, either in-house within a Government department or contracted to an industrial psychologist or occupational therapist or similar.

### **Question 7. Do you think the government should pay the employer a single rate of wage supplement for all the disabled employees who are eligible, and avoid an assessment of their work abilities?**

No.

A single rate of supplement brings significant risk to Business Enterprises and to our less able employees. We do not have the ability to cover any potential shortfall between the productive capacity of our employees and the supplement provided by the Government and would be incentivised to shift to only employ more able workers, to the detriment of the less able.

### **Question 8. What do you like about a wage supplement approach?**

We are opposed to wage supplement approach. We believe that a wage supplement carries significant risks for the promotion of employment opportunities for people with disabilities including via Business Enterprises, and is likely to see us exit the market.

### **Question 9. What do you think are the downsides or risks of a wage supplement approach?**

There are significant risks to the wage supplement approach, for:

- **our employees**, who will face significant disruption, become more reliant on employment for their livelihood, and have reduced flexibility and increased requirements to manage their own money. When they are unable to work, they will have a dramatic reduction in income.
- **Business Enterprises**, which are likely to be subject to relatively significant additional costs, coupled with ongoing budgetary pressure from central government, which will impact on their ongoing viability
- **the Government**, which will be either subsidising an industry for perpetuity, or driving Business Enterprises out of business resulting in fewer employment opportunities for people with disabilities.

These are discussed further below:

## For our employees

Our minimum wage exemption workers are direct employees, who go through a recruitment process and have employment underpinned with an employment agreement and clear rights and responsibilities. Most work part time.

Our workers have high needs, requiring support within work, often requiring time off because of their disabilities. The discussion document considers direct financial impacts for the workers from shifting to a wage supplement approach. However, it does not consider the significant impact and disruption that this would have on the support arrangements for our workers who have intellectual disabilities.

### Supporting workers with disability – where should the balance lie?

As currently structured, employment with Altus is a small component of their monthly income, with the majority coming from Government benefits such as the Supported Living Payment. This acts as a financial safety net for people with high needs.

#### The case of Jeremy

The discussion document presents Jeremy as a worked example of expected impact of shifting to a wage supplement.

Jeremy works 28 hours per week at \$5 per hour. Under the shift to a subsidised minimum wage, Jeremy's net income will increase from \$389.87 to \$397.52 per week, an increase of \$37.65 per week. The supported living payment reduces from \$291.40 to \$98.40 after abatement. The amount earned through employment increases from \$140 to \$462 per week.

Under the proposals, Jeremy is three times more reliant on his income from employment – with his supported living payment reducing by two thirds and his employment earnings tripling.

This is a significant shift in responsibilities, obligation, and support structures.

Currently, our employees such as Jeremy have standard employment agreements, with terms and conditions in line with employment relations law. This includes a specified entitlement to sick leave, typically five days per year. Currently, many of our employees take more than this, and we can allow discretionary sick leave far in excess of their entitlement as their wage rate is low. This lets them take additional time off without fear of impacting their wellbeing as they have access to underpinning government support through the supported living payment.

Under a wage supplement scheme, however, employees will be much more reliant on their employment for their income – and we will not be able to afford to pay them for extended amounts of leave. This approach will reduce flexibility and independence for workers, depending on how abatement is designed. The outcome shouldn't just be about total take home pay – it's about quality of life.

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Workers will become more reliant on their employment for their livelihood – what support will be available for them to make this transition?

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## **Managing finances**

Currently some social payments, from the Supported Living Payment, may be paid directly to various services, such as accommodation providers. A Business Enterprise would not be able to do that, and would be paying the full amount of the workers earnings to the worker themselves. Full consideration will need to be given to how workers with intellectual disability are supported to budget, pay for accommodation and key services, in such a new environment.

## **For Business Enterprises**

Business Enterprises are businesses. We may be a business with a heart, but at the end of the day we are an employer, with contracts to fulfil and services to provide.

We are not social service providers. We do not have the resource, skills, or infrastructure to be social service providers. The proposals as currently designed carry a number of significant risks for our business model that have not been sufficiently considered.

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If our business fails as a result of these changes, where will our employees go?

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## **Reliance on a single customer**

Business Enterprises are businesses, providing contracted services to arms-length commercial entities, on commercial terms. Any change in how Government funds or the amount that it funds will have a significant impact on our business.

The proposals will significantly shift the role of government in our business. Currently Government subsidies to help support our workers comprise less than 15% of our annual revenue. Under the proposal for a wage supplement, the Government will effectively become our largest customer, and could be responsible for around 80% of our revenue stream. This creates significant risk for us as a business, as we cannot diversify.

Our relationship with the Government will change, as it will be effectively purchasing employment from us. Incentives on Business Enterprises will shift from a commercial focus based on contracts with our commercial partners, to a compliance focus aimed at meeting any requirements to access the subsidy.

## **Surviving Government budget pressures**

Over the past fifteen years, Government cost pressures have meant that our contracts with MSD have not been able to increase, either from a CPI adjustment perspective, or to increase the number of workers we are able to subsidise.

We suspect that this trend will continue under a wage supplement approach.

In particular, we are concerned about what will happen when the Government enters a more fiscally challenging environment and needs to look for areas to make budgetary savings, particularly given the potentially significant and enduring cost of this subsidy.



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What happens when we enter a downturn and Government budgets are under pressure?

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#### **Inability to grow or develop our business**

Government will be incentivised to limit the number of people receiving a costly subsidy. This will limit the number of employment opportunities for the least able, and will limit our ability to grow and innovate.

#### **Paying for the practical costs of the changes?**

There are also a number of practical implications that Government needs to consider in designing any scheme. While these may seem of minor consequence to the Government, they can have a significant impact on our ability to continue operating due to our tight margins and low incomings and outgoings.

#### **Minimum wage increases**

- We currently absorb a proportion of minimum wage increases. Under a wage supplement approach, how will any future increases be considered? Will we be expected to absorb the full increase? It is unlikely that this would be viable under our current operating model. Increases in the minimum wage have already resulted in increases in our wage costs by \$225,000 over the past ten years. Over this period, we have significantly reduced our overheads, to the point that we have removed everything that we can.

#### **Annual and Sick Leave**

- Will subsidies include provision for leave entitlements, including annual leave and sick leave? What about already accrued leave?

#### **Relativity**

- Increasing our floor staff to minimum wage is likely to drive calls for increases from our supervisors, putting further pressure on our wage costs.

#### **Overheads**

- Receipt of a wage supplement from government will increase our total revenue and expenses in the order of \$2,000,000 per year. We need to ensure we have systems and processes that can handle it.
- Our overheads may also increase to meet increased reporting and monitoring to meet Government reporting requirements.

#### **Cashflow and working capital**

- How will the supplement be paid to us, and when? The Swedish example has subsidies paid monthly in arrears. This would have a significant impact on our cashflow, with higher levels of incomings and outgoings meaning that we will need to hold a higher level of working capital. We will need to source this from somewhere.

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Will any supplement include allowance for these additional costs?

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Individually, these may seem like minor inconveniences. However, we are a charity with slim margins. A collection of a few of these modest cost increases are likely to be sufficient to challenge our ongoing longer viability and may require us to either focus on hiring only more productive workers, or exit the market entirely.

## **For Government**

### **A shift in the Government's role**

Government will be shifting its role in supporting people with significant disabilities, from one where it supports people who need it to one where it directly subsidises a number of private enterprises – for perpetuity.

Through this change, its support provided will be more arms-length, with less ability to directly support or purchase particular outcomes, without significantly reaching into our business as highlighted above.

### **Creation of a subsidised industry**

This shift in role will create significant costs for Government, establish a subsidised industry, and limit Government's ability to adjust and improve policy settings in the future without significantly impacting the very people it is trying to help.

The wage supplement subsidy is expected to be permanent (that is, paid as long as a person is employed), compared to the short term nature of subsidies already administered by the Ministry of Social Development such as Flexi-Wage, which offers targeted transitional support for jobseekers requiring additional support re-entering the labour market.

Has consideration been given to the impact of this novel approach to wider Government policies, particularly in the creation of an enduring subsidy? For example, New Zealand has signed up to international agreements which disallow subsidisation of exports - would a wage supplement prevent us from exporting any products?

### **Undermining the very outcomes it wishes to achieve**

Most importantly though, this change risks driving Business Enterprises out of business, resulting in 900 fewer employment opportunities for people with disabilities who struggle to find work, undermining the government's own goals of promoting more, and sustainable, employment.

Our own review of the United Kingdom experience of a subsidised model has shown that virtually all specialised disability employment businesses have ceased operation since the introduction of the scheme.

## **Question 10: Which do you prefer?**

We prefer the Minimum Wage Exemption – with a few changes, namely:

- A standardised wage assessment tool and process

- An increase to our existing funding rates from MSD to reflect increases in costs over the past fifteen years, and increases going forward.
- Removal of the cap on the number of people we are able to employ.

### Question 11: Further Comments

Should the Government wish to proceed with the proposed Wage Supplement, despite its downside risks, we consider that the ultimate detailed design will need a number of key components to provide us the certainty to plan and adapt our business:

- **A sufficient transition period**, enabling us to make required changes to systems and processes. The intention highlighted in the Cabinet Paper of shifting to a wage supplement in time for the next financial year (two months after this consultation closes) is simply not feasible. We would seek a five year transition period as a minimum.
- **Long term contracts**. Capital planning requirements mean that we would require long term contracts, of at least ten years, with built in automatic cost increase adjustments. This is essential for us to be able to plan our business, capacity, and manage our contracts with commercial partners.
- **Allowance for increasing costs**. The supplement should include allowance for ongoing increases in the minimum wage, as well as CPI adjustments. It should also allow for higher rates of leave entitlements, including already accrued leave.
- **Ability to bring in new workers and increase numbers employed to better meet demand**. We need a clearly defined process for approving new workers – and this should include flexibility to bring in additional workers as we grow.
- **Consideration of how to help workers more easily transition between the open labour market and employment supported by wage supplements**. This includes looking at stand-down periods, abatement rates, and ongoing eligibility for a wage supplement (or Minimum Wage Exemption) should employment on the open labour market not work out.

### Question 12: If information on submissions is requested under the OIA, are there any parts you would not want released

We request the following paragraph in the Introduction to Altus section on page 17 is redacted for commercial sensitivity reasons

"We have developed a social enterprise line of cleaning products, called 'Able'. We are currently rebranding and relaunching this as a 'cause marketing' opportunity using consumer preferences for social outcomes to support products prepared and directly marketed by organisations supporting people with disabilities. We also have interest from commercial customers like City Cleaning (NZ Rail). Our ultimate goal is to grow this into a business totally run by disabled staff."

# Who is Altus Enterprises?

## Overview of Altus Enterprises

Altus is a non-profit organisation that exists to provide work, and the sense of purpose and social inclusion that work provides, to people with disabilities.

We are the largest 'Business Enterprise' operating under the Minimum Wage Exemption programme in New Zealand, employing approximately 200 people with varying levels of intellectual disability at our warehouse in South Auckland. All of our employees have differing levels of minimum wage exemption, recognising their varying and individual needs. Overall, the socio-economic status of many of our employees and their families is already very low compared to the average – consistent with general trends for people receiving disability support services, and living in South Auckland.<sup>1</sup>

We pride ourselves on providing a safe, inclusive, and productive place for our workers, providing fulfilled lives where everyone feels valued regardless of their physical or intellectual challenges. Altus seeks to provide an environment in which all feel welcome, valued, and purposeful, knowing that they can interact with others and use their skills to help contribute to the organisation and thus society.

We have been in business since 1965, but have changed significantly since then. Over the past few years we have significantly reduced our overheads and back office staffing costs, to maintain viability and focus on support provided to our workers.

### **We provide two pathways to employment, including support to enter the open market, or through direct employment with us...**

Our vision is to create an Auckland where everyone feels valued and purposeful regardless of their physical or intellectual challenges and where everyone can use their skills to improve their lives and the lives of others. To do this, we operate a dual system:

- **Geneva Elevator**, a joint venture, helps place people with disabilities into open, supported employment. People placed through Geneva Elevator will earn at least the minimum wage. As a result, we are able to refer any Altus employee or applicant who has the potential to work in open employment to Geneva Elevator for placement.
- **Altus Enterprises** directly employs people with more significant disabilities which make it very difficult for them to gain employment in the open labour market.

Altus Enterprises is a Business Enterprise as contracted by the Ministry of Social Development (MSD). MSD provides us with a subsidy of approximately \$2,200 per worker, to a cap of 207 workers. We have held this contract for 15 years.

<sup>1</sup> The distribution of people receiving Disability Support Services is skewed towards high deprivation deciles – Ministry of Health, *Demographic Information of Clients Using the Ministry of Health's Disability Support Services* .p.ix. South Auckland generally has poorer economic outcomes, with high levels of unemployment, low levels of educational attainment, and lower than average household income.

## **We provide opportunities for people of varying levels of ability**

We directly employ up to 207 workers with varying levels of intellectual disability which make it difficult for them to obtain employment in the open labour market, or through supported services such as Geneva Elevator.

Our employees are assessed for how well they can perform certain tasks in what timeframe, and based on this assessment we seek a Minimum Wage Exemption certified by the Labour Inspectorate. This exemption enables us to employ people who would not otherwise be able to find sustainable employment.

Most of our workers are part time employees, working only a few days per week depending on their ability and their needs outside of work.

Based on their Minimum Wage Exemptions, our workers earn a range from approximately 12% to 50% of the minimum wage. On average, our employees earn 30% of the minimum wage.

## **The employment opportunities we are able to create are highly valued by our workers and their carers**

A social impact report that we completed in 2018 emphasises how highly our workers (and their carers) value the employment opportunities that Altus is able to provide.

Workers highly valued the ability to do something useful, having a place to go and the ability to connect socially with peers and colleagues

*"I feel good about myself and that I'm contributing. It gets lonely at home. I enjoy getting out and interacting with people. It gives me motivation."*

*"Altus has not made me happy, but made me feel ecstatic because I have the support of people, supervisors, and everybody at Altus. There was a time at school when I had no friends. Now I not only have friends, I am able to make new friends. It makes me feel wonderful because my confidence has made me a better person and worker."*

Carers remarked on how much their dependants valued and benefited from their employment with Altus, improving their self-esteem and confidence.

*"Ever since our daughter has worked at Altus she has grown year on year. She now uses the train and bus to get to work with confidence. ... She has gained self-worth and self-esteem."*

*"He is happier and more confident, has a purpose in life, feels part of a community and made friends, has gained independence, become more disciplined, responsible, and proud of his work."*

These benefits are the very reason we are a Business Enterprise. They are the benefits that come from social inclusion and access to work that provides meaning that are available to most able people – but typically are not available to our most disabled.

Altus provides an opportunity for the many disabled people who would not otherwise be able to work to access good, sustainable, and productive employment that helps develop their skills, capabilities, and confidence.



## **Our operating model fills a niche – offering employment to marginalised groups and filling bespoke labour-intensive product requirements.**

To be able to do this, we are supported by the Ministry of Business, Innovation, and Employment, and the Ministry of Social Development

- We receive a direct subsidy from the Ministry of Social Development for up to 207 workers, at \$2,200 each per year, which helps us to provide additional support services, such as supervision, developing individual plans for each worker on their goals and aspirations in work, and providing in-work training and development to help them meet these.

This number is capped, and neither the number of people we are able to support, nor the quantum of support we receive, has increased in the past 15 years.

- Our workers also receive Minimum Wage Exemption permits approved by the Labour Inspectorate. We assess all of our employees on their productive capacity, and establish with them an appropriate remuneration rate which is verified by the Inspectorate.

This approach enables us to offer employment to people who would not otherwise be able to find work.

Bringing these two components together enables us to offer services to private sector clients in a range of activities, including picking and packaging, labelling, assembly, collating and mailing, wrapping, and bottling, all of which can be undertaken with supervision in a safe environment,

Typically, our work is for niche, bespoke product runs that wouldn't be economically viable otherwise. For example:

- Putting together 'sample boxes' which are one-off collections of products to be mailed out to a mailing list of recipients. This work is labour-intensive, short-run, and monotonous, which would be uneconomic to automate because each run of boxes has different products included. Runs range from 3,000 to 30,000 boxes.
- International pharmaceutical companies get us to produce one-off "two for one" separately wrapped and labelled products, rather than interrupting their automated machines which would be running 24/7 already.

These are activities which, if we were not available to do the work, would come at a significant cost to the customer, bringing disruption to large scale production lines and limiting operating flexibility.

## **We have a tight management structure...**

Reflecting the tight margins we operate to, we have had a focus on reducing our overheads. Over the past ten years, we have:

- Consolidated to a new single site, away from previously higher value land near the Airport.
- Removed surplus non-supervisory staff
- Emphasised a slim management structure, with the majority of management working part time.

Through these efforts we have reduced our overheads by more than \$1 million since 2008 and managed to cope with static subsidies in an environment of generally rising costs. While this is a significant achievement on our part, it also means we have very little 'fat' left to trim should we need to seek any more efficiencies.

### ... with a focus on growth and opportunities for our workers

These efficiencies have enabled us to focus on opportunities for our workers.

- We invest in training and development, with the support of MSD and Tertiary Education Commission (TEC) funding, operating on-site training in core work as well as life skills, through Edvance Workplace Education.
- We host work experience for people with special needs, often around 60 people per week. More than 2000 people have had work experience opportunities with us.
- All of our employees have a 'personal plan' setting out their goals and aspirations, and how their work at Altus will help them achieve these.
- We have supported workers to move from Altus into the open labour market.

#### **Edvance Workplace Education**

As part of our commitment to our workers, Altus currently operates Edvance Workplace Education on-site to help our employees improve their core life skills, confidence and self-esteem, as well as learn relevant work-specific skills.

#### **Goals of Edvance Workplace Education**

Improved critical thinking, reading, writing, listening and speaking skills

Improved confidence to ask questions

Increased understanding of company processes and procedures

Increased confidence to complete a workplace form

Increase reading, writing and spelling skills

Understanding the importance of Health and Safety in the workplace

Knowing more about workplace documents

Building confidence to fill out the forms themselves

**36 learners went through Edvance in Semester 1, 2018. They said:**

*"I am a better person now, have learnt to have a positive attitude"*

*"Helped me with KiwiSaver, saving towards goals"*

*"I now can do mathematics in my head while shopping"*

*"I have improved in speaking to others, friendships improved"*

*"Helped me communicate with my parents, rental manager"*

*"Learned health and safety to take care of myself and friends"*

We want to further grow the number of people we are able to employ, through growing to meet demand for both our services and for employment, and by developing innovative new products.

- We have access to an adjacent second site, and have demand from both disabled jobseekers and corporate clients to increase our operations. We think that there is very real demand to increase our headcount. There is currently unmet demand for our services and an opportunity to

build long-term relationships with "blue chip" type customers given how buoyant the market is today. Failure to meet this demand risks seeing this work go to low cost offshore suppliers, when it could instead be supporting the increased productive employment of local people with disabilities.

- We have developed a social enterprise line of cleaning products, called 'Able'. We are currently rebranding and relaunching this as a 'cause marketing' opportunity using consumer preferences for social outcomes to support products prepared and directly marketed by organisations supporting people with disabilities. We also have interest from commercial customers like City Cleaning (NZ Rail). Our ultimate goal is to grow this into a business totally run by disabled staff.

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We are ready to grow and provide more opportunities for disabled workers – but we need support from Government to do it.

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# Improving employment outcomes for those most vulnerable

We are concerned that the current proposals do not consider outcomes for people with disabilities in a holistic manner. In particular, the proposals as currently put forward pose very real risks to the overall wellbeing of our workers, our ongoing financial viability, and the role that the Government plays in supporting those less able – and ultimately risk reducing the options available to those with significant disabilities.

## Clarity around what we are trying to achieve

The process would benefit from greater clarity of the specific problem being solved and the need for change. The primary objective of the consultation document appears to be focused on the minimum wage exemption, without enough consideration of the wider outcomes. We believe that the focus should be on improving employment outcomes for disabled workers holistically.

Any review of the Minimum Wage Exemption needs to look at the wider framework and how all services work together to improve outcomes for the worker – including the role of the Supported Living Payment. This would include looking at

- Improving access to sustainable employment
- Availability of training and support to prepare for and stay in employment
- Flexibility – consideration of the appropriate balance between employment and social support, depending on the outcomes that we are aiming to achieve, including abatement rates and stand down periods.

The current proposals consider a single component of a complex social support infrastructure, in isolation. This carries very real risks. The proposals should be considered against the ultimate intended outcome of improving wellbeing and employment outcomes for people with disabilities.

## Consideration of the risks and unintended consequences

The discussion document emphasises the need for any change to not result in any worker being worse off.

However, it does not consider a range of potential impacts from the proposed approach which have a very real risk of reducing the wellbeing of people with intellectual disabilities. These include impacts on:

- our employees, who will become more reliant on employment for their livelihood, with reduced flexibility and increased requirements to manage their own money
- Business Enterprises, which are likely to be subject to relatively significant additional costs, coupled with ongoing budgetary pressure from central government, which will impact on their ongoing viability



- the Government, which will be either subsidising an industry for perpetuity, or driving Business Enterprises out of business resulting in fewer employment opportunities for people with disabilities.

We detail these in our response to the specific questions on the wage supplement approach.

## Reviewing the framework for employing people with intellectual disabilities

We agree that the framework governing the employment and support for people with intellectual disabilities should be reviewed. But any review must have the wellbeing of the disabled worker at the centre.

### Supporting people with disabilities getting into and staying in sustainable employment

The most recent statistics show that labour market outcomes continue to be poorer for people with disabilities and, consequently, for their families.

Based on the most recent labour market statistics, disabled people are twice as likely to be unemployed. This hides the full extent, as **only 25% of disabled people are currently participating in the labour force** (compared to around 70% of the total population)<sup>2</sup>

People with disabilities want to work more, but have difficulties finding employment which meets their needs. This can be due to attitudes on the part of some employers, or capability restrictions.

While we do not accumulate health data, we believe our employees outlive unemployed people with equivalent disabilities.

More needs to be done to better support people with disabilities to better access sustainable employment opportunities. We have lobbied multiple times for changes to the framework to enable us to support more people. Currently, Business Enterprises are able to support 900 people in employment. This number is limited due to budgetary constraints at MSD.

This is compared to the 5,500 people with disabilities that Statistics New Zealand reports as looking but unable to find work, and compared to the 33,000 people with long term physical, intellectual and/or sensory disabilities receiving Disability Support Services (DSS) from the Ministry of Health.

People receiving DSS have significantly worse life outcomes, with only 10% of this group employed, and only 18% with school or tertiary qualifications.<sup>3</sup> Nearly half of the people receiving DSS have intellectual disabilities.

We believe there is significant demand for more supported and supervised employment arrangements for people unable to find work in the open labour market due to a disability – particularly those with intellectual disabilities. Two percent of the population have intellectual disabilities – that is 80,000 people. While not all will require a minimum wage exemption, or will be looking for work, it is clear that

<sup>2</sup> Statistics New Zealand, Labour Force Statistics (Disability), June 2018. <https://www.stats.govt.nz/information-releases/labour-market-statistics-disability-june-2018-quarter>

<sup>3</sup> 'Disability Support System Transformation: Proposed High Level Design and Next Steps' Cabinet Paper, June 2017.



current settings significantly under serve demand, with artificial constraints on the number of people we are able to support into employment.

The current proposals do not adequately address this.

### **We need to be taking a coherent look across the system**

Any review needs to focus on the wellbeing of the worker, and take a coherent look across the entire framework – including both social supports (through the supported living payment and the disability allowance) and employment arrangements. Continuity of supported decision-making is an essential ingredient of a successful remuneration model.

#### **The Enabling Good Lives trial offers lessons here.**

Good progress has been made on this front, in a number of targeted trials completely reforming the disability support system across the Ministry of Health and Ministry of Social Development. The prime example of this is the 'Enabling Good Lives' trial in the MidCentral region.

This trial is founded on co-design principals, working with disabled people and their whānau, to gain an understanding of:

- the diversity among disabled people and their whānau,
- their desired experiences including with reference to the disability support system
- the system shifts that would be required to deliver on these aspirations

This co-design approach has put disabled people and their whānau at the centre of what the Government is trying to achieve.

#### **Given this coherent reform elsewhere, why are we making changes in isolation?**

The current process, by contrast, is attempting to address a single component in isolation of considering the wider system – without reference to what the people who have gained employment with a Business Enterprises, or their whānau, actually want. Any changes to the Minimum Wage Exemption process should be developed with input from our workers and their whānau and carers, and fully consider the impacts on the wider system and on Business Enterprises.

Focusing on this single component of the system could result in a few different outcomes:

- a modest increase in overall wellbeing for the 900 currently employed people with disabilities, at significant additional cost to the government.
- a minor increase in financial income for some workers, coupled with significant disruption and reduced flexibility for workers with intellectual disabilities
- a reduction in the amount of available employment opportunities for intellectually disabled workers – leading to increased isolation and reduced social connection and reductions in overall wellbeing.

We need to ensure that those who need support are getting it. We note that the financial implications of the change have been redacted from the available documents, however we assume that it will require additional Government funding.

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Is shifting to a wage subsidy regime for the 900 currently employed the best use of additional funding, when there are at least 5,500 disabled people unable to find work?

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Additional funding would be better applied to specific interventions, including:

- More support for training, development, and life skills for those with intellectual disabilities
- More funded places at Business Enterprises acknowledging the significant demand for additional employment and support.

We consider that the overarching framework for supporting people with disabilities into employment, including the Minimum Wage Exemption, should be considered as part of the outcomes from the Welfare Expert Advisory Group.

### **Is it a question of discrimination?**

We support efforts to reduce discrimination against people with disabilities. The United Nations Convention on the Rights of Persons with Disabilities (UNCRDP) specifies that States Parties should:<sup>4</sup>

*"Protect the rights of persons with disabilities, on an equal basis with others, to just and favourable conditions of work, including equal opportunities and equal remuneration for work of equal value, safe and healthy working conditions, including protection from harassment, and the redress of grievances;" Article 27 1 (b)*

The Convention also specifies that States Parties should:

*"Promote employment opportunities and career advancement for persons with disabilities in the labour market, as well as assistance in finding, obtaining, maintaining and returning to employment;" Article 27 1 (e)*

We pride ourselves on the employment opportunities that we provide people with intellectual disability. Many of these disabilities are significant, and require ongoing supervision and support.

Our employees work for us as they are not able to find work on the open labour market. The work that they undertake, and their productive capacity, is not equal to work that is undertaken by someone who does not have an intellectual disability.

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This is not "equal remuneration for work of equal value".

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<sup>4</sup> <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities/article-27-work-and-employment.html>

We agree that all people should be paid the minimum wage if they are able to do the work. If someone approaches us who is more able, we support them to find work in the open labour market through Geneva Elevator.

We believe that the current Minimum Wage Exemption framework strikes a good balance, providing assistance for people with significant disabilities to find employment in highly targeted and specific cases, based on an assessment of their productive capacity, where without it employment opportunities would not exist.

We acknowledge that the UN Disability Committee has sought an update from New Zealand on its progress in removing the MWE, and that the New Zealand Government through this process is seeking to find a replacement for the MWE. We repeat our request that Government ensures any replacement system does not discriminate against vulnerable people by making them worse off, nor damages the commercial viability of business enterprises.

### **There is no single international exemplar**

We acknowledge that this is not easy – there are a variety of international approaches, including both wage subsidies and minimum wage exemptions. The key lesson from international approaches is that we need to be very careful, and carefully consider unforeseen risks.

- Australia operates a Supported Wage System as part of the Fair Pay Awards, for employees who have a disability and who have a reduced work capacity. It allows employers to pay a productivity-based wage for people with disability that matches an independently assessed productivity rate.<sup>5</sup>

Australia recently had a class action case against the government due to its wage assessment tool. Notably, it hasn't changed its approach, but it has redeveloped its wage-assessment tool. There are likely lessons for New Zealand in how it went about this.

- In the United States, employers can apply for a certificate from the Wage and Hour Division, to pay wages less than the Federal minimum wage to workers who have disabilities for the work being performed. The worker must have a disability which impacts on their productivity.<sup>6</sup>
- In Germany, disabled workers can work in sheltered workshops, and are paid a small stipend for their work. The workshops have requirements to help workers transition into the regular labour market.<sup>7</sup>
- Sweden reformed its system in 1980, and ultimately nationalised the sector, with state owned operator Samhall AB taking over 370 sheltered workshops. Samhall has targets for at least 1,500 of its 23,000 employees to move into the open labour market each year.

Sweden also operates a wage subsidy for disabled workers, which is assessed by the government as a function of the wage of the employee and the level of work capacity. The

<sup>5</sup> <https://www.jobaccess.gov.au/supported-wage-system-sws>

<sup>6</sup> [https://www.ilo.org/global/topics/wages/minimum-wages/rates/WCMS\\_451252/lang-en/index.htm](https://www.ilo.org/global/topics/wages/minimum-wages/rates/WCMS_451252/lang-en/index.htm)

<sup>7</sup> <https://www.disability-europe.net/country/germany>



government makes the assessment in consultation with the employer. **The employer can also get reimbursement for additional costs of up to about 7 euros per employee per day.**<sup>8</sup>

- The Netherlands has historically operated a wage subsidy scheme, but has reported to the UNCRDP that it is in the process of shifting to a Minimum Wage Exemption scheme to try and improve employment outcomes for disabled workers. The Netherlands experience suggests that wage subsidies create significant complexity for employers, and come at a significant financial cost which could be more effectively targeted.<sup>9</sup> And while they might appear to nominally respond to concerns about protecting employee rights, they work against the obligation to promote employment.

### **The Netherlands is moving in the other direction**

The Netherlands is currently shifting from a wage subsidy scheme to a minimum wage exemption arrangement, aiming to reduce complexity for employers and promote increased employment of people with disabilities.

The Netherlands took a holistic view of the outcomes that they were trying to achieve – “to offer more prospects for work to people with disabilities” including enabling the creation of more sheltered workplaces, easing the burden on employers, and offering tailor made solutions linking up with citizens’ needs.

**The Netherlands government is expecting to fund these additional efforts through savings from moving from wage subsidies to wage exemptions.**

Under the wage exemption, the employer is permitted to pay the employee in accordance with their productivity, below the statutory minimum. Where necessary, the employee receives an additional benefit from the government.

This gives employers a simpler set of instruments to take on people with disabilities and the intention is that work done by employees on the basis of a wage exemption is financially worthwhile. Available resources are used to provide more help for people with disabilities to find work.<sup>10</sup>

There are risks to getting this wrong. The recent shift by the Netherlands emphasises that a Minimum Wage Exemption carries a number of benefits. We need to consider the issues that we are attempting to address more holistically, and we need to jointly, across employers, government, and workers, design the best approach – looking across the full suite of employment and social supports to ensure a cohesive and comprehensive framework that puts the outcome for the worker at its heart.

## **Identifying the problems**

- The discussion documents identifies four main ‘identified issues’ with the Minimum Wage Exemption Permit:

<sup>8</sup> Angelov and Eliason, ‘The effects of targeted labour market programs for job seekers with occupational disabilities’, IFAU Working Paper 2014:27

<sup>9</sup> CRPD/C/NLD/1 Initial report submitted by the Netherlands under article 35 of the Convention, due in 2018, accessed: [https://tbinternet.ohchr.org/\\_layouts/treatybodyexternal/Download.aspx?symbolno=CRPD%2FC%2FNLD%2F1&Lang=en](https://tbinternet.ohchr.org/_layouts/treatybodyexternal/Download.aspx?symbolno=CRPD%2FC%2FNLD%2F1&Lang=en)

<sup>10</sup> Ibid.

- Perceptions that the framework is discriminatory as only disabled people may be paid below the minimum wage. This is also seen as conflicting with New Zealand's obligations under the UNCRDP.
- The assessment tool is subjective and not strengths based, with variation in assessment approach and tools.
- The Labour Inspectorate do not think they have adequate knowledge or expertise to verify the assessments.
- There may be incentive on employees or families to accept or request low wages so that their benefit is not reduced.

These are a variety of different issues, each of which has different potential impacts and solutions. Ultimately, however, the key problem is that there is a paucity of true employment opportunities for intellectually disabled people, particularly at the current minimum wage rates. This will become more challenging as the minimum wage continues to increase.



s 9(2)(a)

s 9(2)(k)

**Feedback for MSD on Wage Supplement**

s 9(2)(a)

**Feedback on Proposal to discontinue MWEP**

With all credit due to the innovation of dedicated staff, and the support of the wider community we have continued to increase the productivity and sustainability of our Social Enterprise despite the limited funding received from MSD (no increase for over 10 years).

The effect of discontinuing the MWEP's s 9(2)(a) depends on what alternatives are decided

s 9(2)(a)

DOL inspectors were very complimentary of s 9(2)(a) assessment process for MWEP and it is hard to imagine this being a generic process for such a wide range of abilities.

Any wage supplement would have to be ongoing – we would need certainty that we wouldn't suddenly be required to pay our supported employees the full minimum wage. Our social enterprise runs at a loss already and so if we were to pay the full amount ourselves we would cease to operate.

We would also want some kind of guarantee that Section 66A would be applied. There are ramifications because our client benefits are split between them and ourselves. Currently they

receives s 9(2)(a) . If their benefits were to be abated then we would have to invoice them for this amount.

s 9(2)(a)

We choose the clients that are employed by us. Those judged as higher needs are s 9(2)(a)

Some of our supported employees sometimes choose to be involved in the alternative programme for whatever activities they are interested in as per "enabling good lives"

Clause 27 of the cabinet paper suggests providers meeting the cost of the increases in the minimum wage. s 9(2)(a) would not be able to afford this. Our social enterprise is only partially funded and as previously mentioned makes a loss, so we would not want to prop this up even more at the expense of our s 9(2)(a) which already subsidise this enterprise.

A generic wage assessment tool (clause 29) could be useful and provide an "apples for apples" approach throughout the country. We would be reluctant to have an outside person such as an OT come in to assess our people as they do tend to be on best behaviour when they know they are on show, which can give a false impression.

We have a wide range of abilities and so think our employees would be best assessed on their individual merits rather than having a standard rate applied across the board (Clause 25). Our supported employees range from s 9(2)(a)

Our social enterprise exists solely to provide employment for our people. It is not run as efficiently as a profit making business due to the nature of the people we employ. In some cases our people "hinder" rather than "help" in our work which means it can take longer to perform tasks, train etc..

Administration will be an issue – we have some clients who work very erratic hours. We have employees who struggle to turn up and only manage to work a couple of hours some weeks. For example, s 9(2)(a)

If they were to have their benefits abated and we had to charge them this would be very difficult to manage. It would also create work for WINZ as the amount they earn can vary quite significantly each week.

Currently they are taxed at a secondary rate for their income from s 9(2)(a) . It will entail more administrative input from us for tax rate increases for the benefit portion.

## Conclusion

s 9(2)(a) [REDACTED] has always provided a wrap around model of support for our clients on an individual basis including work, home life, social interaction and interests. This does incur significant additional costs; borne solely by us.

Our Social Enterprise is regarded as a successful model of disability support despite the lack targeted vocational funding.

It is a well known fact that work plays an important part in a person's self esteem and well being.

s 9(2)(a) [REDACTED] includes gainful employment as a support /therapy tool to assist management of challenging behavior.

Discontinuing the MWEF may be the best option, but only if the myriad ramifications are clearly defined and addressed in an easily understood manner.

s 9(2)(a)

s 9(2)(k)

s 9(2)(k)

# The news article below was copied from a Canadian website dated 2<sup>nd</sup> July 2018

### Disabled Workers Lose Their Jobs

When the Ontario government raised the minimum wage, it also terminated an exemption for organizations providing jobs to the intellectually or physically disabled.

As a result, *The Globe and Mail* reports, most of these organizations "have opted to stop hiring people with cognitive disabilities." Not only was hiring stopped, community centers and non-profits were also forced to let go of their existing disabled workers. The parents of these disabled workers organized a protest demanding exemptions from the government's unfair minimum wage law, since no employer could afford to pay their disabled adult children \$14 per hour.

As no exemption has yet been granted, the clear result of the new minimum wage policy was to cut down the most vulnerable workers in the province by destroying the jobs that provided them with income and self-esteem.

s 9(2)(ba)(i)

s 9(2)(k)

30 April 2019

Hon. Carmel Sepuloni  
Minister for Disability Issues and Minister for Social Development  
Parliament Office  
Private Bag 18888  
Parliament Buildings  
Wellington 6160

RE: Wage Supplement Consultation

Dear Minister Sepuloni

s 9(2)(a) is a not for profit business enterprise that employees approximately s employees. s of the personnel are on MWE permits. s 9(2)(a)

s 9(2)(a)

Our concerns around the changes to the MWE scheme have been outlined in s 9(2)(a) however the following are some additional concerns that we have to any proposed changes:

1. We believe that there is no distinction between a person with a physical disability and a person with an intellectual disability within the current legislation. This has a significant impact on work performance and productivity as a person with an intellectual disability is predominantly less productive or able in our experience.
2. In the original documentation from Government (Discussion document: A wage supplement as an alternative to Minimum Wage Exemption permits 2019)
  - 2.1 We would question just how much impact further education and training will have on assisting people with an intellectual disability into employment. Most school leavers with an intellectual disability have already had up to 16 years of schooling under the Ministry of Education. We do not believe many or if even any, have been able to attain Level 1 on the NZQA framework. Having significant difficulties in learning and the retaining of information is part and parcel of having an intellectual disability. Further academic input seldom creates more employable people. If there is some evidence that particular education and training works then that's great and it definitely should be pushed and promoted but we suspect that on job, practical, functional training still works best.

2.2 One of our main concerns with the Wage Supplement systems proposed is that there will be no room for pay relativity for workers under the scheme with their peers. No matter how conscientious or productive a person is they will earn exactly the same amount as the least productive. The only thing that will influence the pay packets at the end of the week is hours worked. This is not fair or just. Nor will employers be able to expect anyone to work harder or encourage them to be more productive if there is absolutely no incentive for workers to do so. I think this is the strongest argument for retaining a MWE scheme, it is the fairest for peer to peer pay relativity and for pay relativity against workers in the open market. I'm not so sure workers in open workplaces will be happy to be on the same pay packet as someone who works alongside them and requires a significant amount of accommodations and support due to their intellectual disability and is unable to be particularly productive.

### 2.3 How would the wage supplement work? (Page 8)

2.3.1 As employers, how would we know who would be eligible for the wage supplement on this if the current wage assessment tool is abolished and at what rate will this be paid i.e. how much will the supplement be? Would someone who is currently assessed at \$1.25 be topped up to the minimum wage by the government?

2.3.2 The government states that the job needs to provide a real opportunity for the disabled person to contribute and use their abilities and skills (i.e. not created solely as a means of occupying the disabled person at a rate heavily subsidised by the government) – what would this mean for the majority of intellectually disabled employees at s 9(2)(a) who are not overly productive, which reflects their assessment and the wage they are on.

2.3.3 We also query the pay relativity between intellectually disabled employees and supervisors – will there be extra funding to cover this.

### 3. General observations:

3.1 The wage assessment is carried out by trained persons with experience in disability and in employment.

3.2 In our experience the current wage assessment tool that we use does allow for wages to increase as experience is gained from time in the job.

3.3 s 9(2)(a) does not reduce pay rates as the individuals working abilities deteriorate over time.

3.4 We do ensure good working conditions – we make accommodations for each individual employee, not docking wages for appointments, lateness, social events, etc.

3.5 The OIA indicated that there were 1508 MEWP's granted over the last three years. These were mainly reissues and not new permits. They refer to at least four people being on an hourly rate of 92 cents an hour – this will be an assessed hourly rate of 92 cents but this does not mean the employee is being paid that. An example could be; an employee's assessment comes in at a rate of \$1.22 per hour but as per agreement with s 9(2)(a)'s union no one is paid under



\$1.25 per hour. This also means for those who are on lower assessments they are not disadvantaged by having to pay tax and this does not affect their benefit

3.6 The assessments are not a 'tick box' exercise, the assessment tool used is approved by MBIE and there are interactive criteria that must be met. To our knowledge the Labour Inspectors who verify and approve the MWE Permits are experienced in disability, particularly in intellectual disabilities. In the s 9(2)(a) [REDACTED] our inspector s 9(2) [REDACTED], is extremely professional and knowledgeable when assessing our permits.

3.7 Business Enterprises have been lifting the wages of disabled workers without extra Government funding for the last 15 years and this has put increasing strain on these Business Enterprises, so any extra funding the Government will provide has been long overdue.

3.8 Where a person with an intellectual disability is able and wants to find work outside of a Business Enterprise we will help them to do this through a Supported Employment Contractor, however for the majority of people with an intellectual disability all they want is to feel included and have a safe and secure environment which they get within a Business Enterprise. There are also the social benefits this provides.

#### 4. Closing statement

Without clear examples of the Ministry's proposal, you have made it extremely difficult to write a fully informed submission. Based on the information currently available, you are placing s 9(2)(a) [REDACTED]'s, Business Enterprise at risk. We are one of s 9(2)(a) [REDACTED] largest and most important employers. The majority of our employees would not be employed if it were not for this Business Enterprise. Our families and caregivers are extremely anxious about the outcome of this proposed change.

Yours sincerely

s 9(2)(a) [REDACTED]



**Cargill  
Enterprises**

The social business.

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Disabled Citizens  
Society (Otago) Inc  
t/a Cargill Enterprises  
Not-for-profit

30 April 2019

## **Cargill Enterprises submission**

### **Minimum wage exemption permit alternatives**

#### **- a fit for future model -**

#### **Cover letter**

The proposal for the abolishment of Minimum Wage Exemptions and the development of a top-up model for people with physical and sensory impairment in New Zealand is to be commended.

We understand the need for compliance with the CRPD objectives regarding the right of persons with disabilities to have access to employment and the intent to improve income disparity between physically disabled people and typical employees within New Zealand.

The aim to improve lives of disabled people including access to permanent employment, achieve living wages and access vocational training needs wise and careful planning if it is to genuinely improve and promote a *good life* for both people with intellectual disability and physical disability alike.

The current system attempts to provide employment by allowing employers to establish *equal pay for work of equal value* (CRPD Target 8.5). This is carried out using a common individualised wage assessment tool that is both moderated and approved by MBIE, the assessed wages are expressed as a percentage (up to 100% or the same right to earn minimum wage as non-disabled workers) of the minimum wage so automatically adjusted with any changes to the minimum wage nationally but we note that whilst government refuse to adjust the abatement levels relative to the NZ minimum wage this creates an additional problem and stress for our employees including them requesting we do not increase their wages.

The practical and consistent wage assessment tool (used for 750 of the 900 wage permits) makes observations such as cognitive ability, dexterity, levels of output, supervision needs and the like. (see appendix 1) the results of using this process are that employers and businesses can then quote and obtain work (in the free market) with the knowledge that their costs are

comparable and competitive with like businesses, thus creating more employment opportunities.

Cargills does not see this process as discrimination, the transparent process results in equal pay for work of equal value when accessed impartially against non-disabled workers.

Discrimination implies people with ID are being taken advantage of and in our accountable, transparent organisation, this is simply not the case.

Wages are then abated according to WINZ banding and Household Income is then assessed and topped up via the Supported Living Pay scheme, additional services such as Individualised Funding, housing and other benefits are also assessed on a needs basis.

This model allows a combination of fulltime employment, education, vocational training, wellness programmes and supported employment initiatives (common to Business Enterprises) for people with intellectual disabilities who are disproportionately challenged to secure employment.

We would note that the risk of addressing all people with disability as one homogeneous group and attempting to develop a one size fits all solution has vastly increased the complexities of this exercise and does not take into account that people with intellectual disability have additional challenges and barriers to fulltime employment that require particular consideration over and above those with physical disability.

Cargills also note that on no occasion have any of our intellectually disabled staff been consulted with by government officials or has any attempt been made to communicate the complexities of this government proposal on a one to one or workshop basis.

We can see our staff (PWD) and families are confused by the uncertainty of government proposals and are frightened that mainstreaming disabilities will cost them their jobs, livelihoods and support networks.

The proposal to develop a wage top-up system that in effect provides the same outcome as the Supported Living Payment begs the question as to what problems the Minister is trying to solve.

Lost employment and the closure of supportive adaptive workplaces like Business Enterprises who cater for all levels of ID will have serious and perverse outcomes for Intellectually disabled people as these inclusive workplaces currently provide ;

- Vocational training programmes for all staff
- Numeracy and literacy programmes (Level 1 and 2 )
- Supports for people with larger barriers to employment
- Acceptance and inclusion of all people
- Pastoral care
- Wellbeing and social programmes

## **Preamble**

The Minimum Wage Exception Permit scheme (MWE) has been in place since 2007 and has helped to ensure approximately 900 intellectually disabled people have maintained meaningful employment over this time. Moreover, people have enjoyed many of the benefits that come from being employed including, vocational training, employer led education, wellness initiatives, regular social activities, wellbeing oversight, developing friendships and a range of specific supports that most mainstream employers do not and will not offer with regards to ID needs.

Cargills has been involved in discussions with various government agencies (via the MoreAble Network and Inclusive NZ) over a significant period regarding alternatives to the MWE scheme. We have worked proactively to formulate alternative options available to government and have advised pro/con papers on the identified options. This work has included looking at the implementation of such schemes in other jurisdictions and the resulting issues.

The primary concerns of the MoreAble Network are focused on the fact a wage supplement scheme often has negative impacts on employees and decrease overall wellness outcomes due to anomalies within the benefit system. Some people become worse off when paid the minimum wage at the expense of other services and funding, in particular those living independently. Moreover, the overseas experience would indicate the additional financial pressure brought to bear on Business Enterprises, being the principal employer of PWID has resulted in their closure and consequently many job losses. This has seen employment options radically reduce for people with Intellectual disabilities and nonfulfillment of article 27 that states PWDs should have equal access to full and productive employment.

Our unequivocal view is that people with intellectual disabilities are far more interested in equality of opportunity than equality of outcome. Any initiative that threatens their employment is terrifying to them.

Cargills requests that before a wage supplement scheme is considered, the impact and potential for perverse outcomes of such a scheme is thoroughly considered.

## **Role of Business Enterprises – “Supportive and adaptive Employers”.**

Cargill Enterprises is an employer and holds 9% of MWEP in New Zealand.

We also have 32 PWD on our HR books that desire employment with us as part of their Good Life goals.

People who take up employment with Cargills go through a typical recruitment process. This involves an interview and in some cases, like school leavers s 9(2)(a) some work experience. This allows a smooth transition from school into employment.

It also allows both parties to plan for success and a better understanding of the employees skills, employment goals, and workplace accommodations, it allows for dialogue to realise the most appropriate job match.

An Employment contract is offered at the end of this process if all are in agreement.

It's not uncommon for us to have emotional encounters with parents who thought job options for their children with ID were hopeless and then to learn there are in fact caring, inclusive employers who offer the particular supports needed for their children who have now matured to young adults.



Central to being a supportive employer is the notion of “reasonable accommodations”. The most common workplace accommodations that are utilised include adaptive workplaces, personal supports and flexible hours, the new employee and their supports will negotiate the hours that can be worked, taking into account the nature of disability, medication, and other like factors.

All our employees have individual employment agreements (IEA) and personal training plans that ensure we understand their goals and aspirations, we recognise areas for development and the best job or task match for each individual. Training plans are reviewed as part of a person's regular employment which often coincides with the review of their MWEF. We offer opportunities for skills development and training, including literacy and numeracy (The Cargill Academy), industry-related unit standards and Otago Polytech Micro Credentials. We also support people to transition into 'open' employment via supported employment services as we desire Cargill Enterprises to be part of the employment journey and not necessarily the destination.

### **Summary of Three Types of Employee Focused Wage Supplement Schemes**

Below are a summary of the three different types of wage supplement schemes:

**Option 1:** Top up pro-rata wage to minimum wage of employees

**Option 2:** Tiered support banding of individual employees

**Option 3:** Averaged employee subsidy (one government subsidy rate for every employee).

#### **Option 1: Top up**

We understand this would be individually assessed and therefore would reflect the unique situation and needs of each and every individual.

The top-up option should encourage the employment of a diverse range of people and would be relatively easy for the employee to manage their income. This option will require the development of a standardised assessment method or use the tool already developed. It is the most similar to the current system where there is an assessed wage plus the supported living payment that brings the take home earnings to approximately the minimum wage.

#### **Challenges**

There are a number of challenges associated with this option. Firstly, there is the development of a standardised assessment process. However, there is already a well-developed assessment process that is commonly used and has been accepted as fair by employees and their supports alike.

The next issue to consider is who would be the most appropriate third party or impartial administrator to oversee the process, including the unbiased verification and moderation of each assessment.

There is also the issue of pay relativity. With an equality of outcome model where all employees are being paid minimum wage irrespective of productivity, those in supervisory roles will need to have a wage adjustment to ensure there is an appropriate level of relativity. There is some financial

modelling required in order to establish a fair and equitable gap between shop floor staff and their supervisors and their impact on Business Enterprises

### **Option 2: Tiered support and banding of individual employees**

This would also be individually assessed but would not reflect the unique situation of each individual as with the above option. Through the assessment process an individual would be assigned a low, medium or high rating. This would assist in determining the level of wage supplement, together with the level of employment support the individual may require. This would be similar to the SLI rating assigned to a job seeker through the current Employment Support contracts.

#### **Challenges**

There are a number of challenges associated with this option also. As with the above option there is the time and cost of developing a standardised assessment process. There are also the issues of pay relativity, administration costs, together with the on-going administration and oversight of the process.

Any person operating with outputs below the lower defined rate could experience increased difficulties in securing employment as part of their good life goals.

### **Option 3: Averaged employee subsidy**

This would be a simple approach compared to the other two options outlined above. An averaged supplement paid to employees would decrease the administration costs and would enable a fixed cost to government and employers alike.

#### **Challenges**

There are a number of significant challenges associated with this option, first and foremost this type of system is not tailored to the individual. It would incentivise employment of people above the average subsidy. Accordingly, there would be fewer employment opportunities for all disabled people, particularly those with more significant disabilities. This option has the potential to create additional costs for Business Enterprises and could well result in people being made redundant. There is also the issue of pay relativity with this option.

## **Summary**

Cargills see a number of issues associated with replacing the MWEP with a wage supplement system. As has been demonstrated above these issues include (but are not limited to):

- Some disabled people being worse off as result of benefit eligibility.
- Employment options being reduced to those with higher levels of disability.
- Time and cost associated with developing an on-going monitoring system, including who would impartially administer this.
- An increase of on-going administration and wage costs to Business Enterprises.
- Pay Relativity issues.
- Increased cost to Business Enterprises, forcing closure and unemployment.
- Increased costs and effects on society if people become unemployed/ isolated

## **Cargills would like to**

1. Form a working group consisting of disabled employees, business enterprise representatives and government officials to further explore the merits of a wage supplement and in doing so take into account the issues raised above.
2. Have government reassess the abatement system and link wage banding to the minimum wage
3. Have MSD explore the benefit policy settings that create a negative impact on some individuals and identify situations where people could become financially worse off with being paid the minimum wage.
4. Explore government procurement policy and processes with the aim of integrated social clauses that would favour Business Enterprise organisations in some instances.
5. Have Business Enterprise organisations explore ways in which they may be able to diversify their businesses. This could include looking at opportunities to provide more structured workplace training, as well as other possible new business lines.
6. Explore in detail the potential fiscal impacts on Business Enterprises and their viability with each option.
7. Have MSD recognise the intrinsic value of Business Enterprises and their contribution to the wellbeing of disabled people in New Zealand

Kind regards

**Geoff Kemp**  
CEO

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OFFICIAL INFORMATION ACT