



## COVERSHEET

<b>Minister</b>	Hon Grant Robertson	<b>Portfolio</b>	Finance
<b>Title of Cabinet paper</b>	Consulting on an income insurance scheme for New Zealand workers	<b>Date to be published</b>	28 April 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
September 2021	Consulting on an income insurance scheme for New Zealand workers	Office of the Minister of Finance
29 September 2021	An Income Insurance Scheme for New Zealand Workers: Release of Discussion Document DEV-21-MIN-0198 Minute	Cabinet Office

### Information redacted

YES / NO [select one]

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of Confidential Advice to Government.

## **In confidence**

Office of the Minister of Finance

Office of the Minister for Social Development and Employment

Office of the Minister for Workplace Relations and Safety

Cabinet Economic Development Committee

## **Consulting on an income insurance scheme for New Zealand workers**

### **Proposal**

- 1 A proposal for an income insurance scheme for New Zealand workers is outlined in the attached discussion document, "*An income insurance scheme for New Zealand workers*" for the purposes of public consultation.
- 2 This paper seeks Cabinet agreement to:
  - 2.1 undertake public consultation on the proposal for introducing an income insurance scheme for New Zealand workers, as outlined in the attached discussion document
  - 2.2 authorise the Minister of Finance and Ministers for Social Development and Employment and Workplace Relations and Safety to:
    - 2.2.1 make minor and editorial changes to the document as needed
    - 2.2.2 agree the date of publication for the document and public consultation
  - 2.3 draft legislation to enable the Accident Compensation Corporation (ACC) to develop operational requirements for the scheme, and
  - 2.4 approve \$7.2 million from the Between Budget Contingency to resource the next phase of this work through to March 2022.

### **Relation to government priorities**

- 3 Enhancing support for people who lose work due to displacement or health conditions and disabilities relates to the Government's commitment to building a post-COVID-19 economy that is more productive, sustainable, inclusive, and resilient to future shocks.
- 4 The proposal also aligns to the 2021 Wellbeing Budget objective of:
  - Future of Work: Lifting Productivity and Innovation.

## Executive Summary

- 5 Earlier this year the Future of Work Tripartite Forum (the Forum), on the back of a substantial body of prior work, invited the Government to consider a new income insurance scheme for New Zealand workers.
- 6 On 15 March 2021, Cabinet agreed that the government work with business and union representatives to design an income insurance scheme for public consultation [CAB-21-MIN-0069 refers]. This was publicly announced on Budget Day.
- 7 A tripartite working group has undertaken extensive research and design work to develop a suitable design. This work has confirmed that establishing a social insurance scheme for income loss is viable and affordable. The proposed scheme has a real chance to meet our objectives to minimise the immediate financial impact of losing income and work, for workers and their families, support the wider economy through economic shocks and help people return to good jobs.
- 8 The Forum's proposal for an income insurance scheme for public consultation is set out in the attached discussion document "*An income insurance scheme for New Zealand workers*" and summarised in the body of this paper.
- 9 While we consider there is a considerable case for introducing an income insurance scheme in New Zealand, this would be a significant reform that would impose costs across the economy. Given this, we consider it vital that we consult with the public to understand whether there is social license to introduce an income insurance scheme, and if so, what that scheme should look like.
- 10 On 23 September, the Forum discussed the proposals outlined in the discussion document for the purpose of public consultation and referred them to Cabinet for agreement.
- 11 We are now seeking Cabinet agreement to these proposals for the purpose of public consultation. As proposed, the scheme would cover job loss due to displacement – the involuntary loss of work, due to disestablishment of a job. Cover would be provided for the loss of an entire job, and would seek to cover most working arrangements. Coverage would depend on minimum contributions, with limits for subsequent claims. Payments would be limited to New Zealand citizens and residents.
- 12 Income insurance would substantially replace lost incomes for up to six months. Entitlements would be treated as income for welfare benefits and other transfers. Earnings would reduce insurance payments after a threshold. Claimants would be obliged to search or prepare for work and would risk suspensions of payments for serious cases of non-compliance. Employers would support the scheme's operation through notice periods, and an initial four-week period of cover through a "bridging payment" after job loss. The discussion document will also seek views on a mechanism to extend payments to allow time to undertake approved training or rehabilitation.

- 13 Income insurance would also cover work loss due to a health condition or disability, providing largely the same entitlements as insurance for displacement. The scheme would provide coverage for any health condition or disability<sup>1</sup> that significantly reduces work capacity (more than 50%) for a period of four weeks or more, with health professionals certifying work capacity. Employers would play a role in corroborating claimants' work capacity. Employers would be encouraged to assist claimants to return to work by making suitable accommodations, and keeping jobs open for claimants for the duration of their claim. Claimants would be obliged to participate in work capacity assessments and return to work support (such as rehabilitation activities, employment support) where appropriate and available.
- 14 The Accident Compensation Corporation (ACC) would administer the scheme, handling claims and helping claimants return to good jobs, in part by linking to existing support services and labour market programmes managed in other systems. It is intended that the scheme would handle disputes efficiently, and take enforcement action where necessary in response to (alleged) fraud, or to ensure levy payment.
- 15 Employers and workers would equally share the costs of the scheme via payment of a levy of 1.39% each (totalling 2.77%), although the Crown may contribute in some rare situations – such as where entitlements were varied in response to a natural disaster for example. Further work is required on how and when the Crown would intervene.
- 16 The earliest any scheme could be implemented is May 2023. To make progress towards this implementation date, funding of \$7.2 million is required for the pre-implementation<sup>2</sup>, policy, legislative and communications work required for the next phase of the work.
- 17 This funding ensures this project has the resources and priority needed to continue at pace and mitigates risks associated with an ambitious timeframe. There are also risks associated with the introduction of any income insurance scheme which need to be carefully considered and mitigated in the scheme design settings.
- 18 Ministers, departments, BusinessNZ and the NZCTU will work to raise awareness of the proposals and rationale for them. There will be direct engagement with key representative bodies, including in the health and disability sector, worker and business groups, the vocational education sector and Māori.
- 19 Following public consultation, Cabinet will need to consider whether to implement the scheme, and if so, to confirm design and delivery choices. We

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<sup>1</sup> For the purpose of this Cabinet paper, and attached discussion document, a health condition or disability is a mental or physical condition that can limit person's ability to continue their usual level of paid work.

<sup>2</sup> The pre-implementation work which would be conducted by ACC is able to be done so under the Accident Compensation Act 2001, subject to the associated funding being provided.

will report back to Cabinet in March 2022 on the outcome of public consultation to inform decisions.

- 20 If the scheme is to be delivered by ACC as proposed, an initial piece of legislation will need to be passed by March 2022. This legislation would enable ACC to establish the systems and procedures to deliver the scheme within the Government's timeframe.
- 21 Assuming a decision is made to implement the new scheme, officials will focus on detailed implementation planning, operational policy design, and legislation.

## Background

- 22 There is a substantial body of work calling for enhanced support for people who lose their jobs through no fault of their own, whether due to displacement or health conditions and disabilities that diminish work capacity. This includes reports by the Public Advisory Group on Redundancy and Restructuring, the Organisation for Economic Development and Cooperation, the Welfare Expert Advisory Group, and the New Zealand Productivity Commission.<sup>3</sup>
- 23 The labour market disruption arising from the COVID-19 pandemic has further highlighted the risks of displacement, and the shortcomings of existing financial and non-financial support.
- 24 Our Future of Work Tripartite Forum<sup>4</sup> partners, the New Zealand Council of Trade Unions and Business New Zealand invited the Government to consider an income insurance scheme through the Future of Work Forum as part of our work towards a more productive, sustainable and inclusive economy. The income insurance scheme – delivered as social insurance, like the Accident Compensation scheme – would replace lost wages, and help people back to work.
- 25 On 15 March 2021, Cabinet noted that while the support for people losing work has been improving steadily, there is still a large gap in the availability of financial assistance that effectively smooths incomes and mitigates large income drops and agreed that the government work with business and union representatives to design an income insurance scheme for public consultation [CAB-21-MIN-0069 refers].

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<sup>3</sup> Public Advisory Group on Redundancy and Restructuring *Report of the Public Advisory Group on Redundancy and Restructuring* (2008), OECD *Back to Work New Zealand* (2017), Welfare Expert Advisory Group *Whakamana Tangata* (2019), Productivity Commission *Inquiry into Technological Change and the Future of Work* (2020).

<sup>4</sup> The Future of Work Tripartite Forum is a partnership between the Government, business, and unions.

**The overall purpose of an income insurance scheme is to minimise abrupt drops in income, and to promote a return to good employment, where this is possible**

- 26 Income insurance provides a replacement income when people lose employment through no fault of their own. The replacement income is usually set at a level close to the amount of lost wages or salaries.
- 27 Unlike many countries, New Zealand does not offer social insurance for people displaced from their jobs (made redundant), or for people who lose work because of health conditions or disabilities but instead provides support through the welfare system. The Forum considers that the lack of a social insurance type scheme for income loss is a significant gap. A social insurance scheme can ensure a replacement income that is close to lost wages, for a reasonable duration, with wide coverage.
- 28 Following Cabinet agreement to design an income insurance scheme for public consultation [CAB-21-MIN-0069 refers], a tripartite working group was established to design the scheme.
- 29 The working group has undertaken extensive research to develop a suitable design. This work has indicated that establishing a scheme is viable, affordable and has a real chance to:
- Minimise the immediate financial impact of losing income and work, for workers and their families, especially with broad coverage and a relatively high replacement rate - working people would contribute a modest portion of their wages in exchange for a high level of income protection, and for the peace of mind that it brings. This is particularly important in a world where the nature of work is changing rapidly.
  - Support workers back to good jobs, especially with investment in effective support to find and prepare for work.
  - Support the economy to adjust more rapidly to shocks or downturns through maintaining consumer spending through economic shocks, and keeping people connected to their employers.
- 30 As outlined in the discussion document, there are different approaches to ensuring financial support for people who lose work which have been considered. In addition to income insurance, the Forum has considered the roles of:
- personal savings and loans,
  - welfare payments, and
  - redundancy payments.
- 31 In the light of our objectives, the Forum considers there is a critical role for each of these, but important gaps remain that an income insurance scheme could fill. An income insurance scheme can complement these other sources

of financial security when provided as social insurance, like the Accident Compensation scheme. Insurance payments would play a key role in supporting people to search for work, adjust to changed circumstances, complete some retraining, upskill, or to receive medical care.

32 The Forum’s proposal is set out in the attached discussion document “An income insurance scheme for New Zealand workers” and outlined below.

33 While we consider there to be a considerable case for the proposal, this would be a significant reform, perhaps the largest of its kind since the introduction of the Accident Compensation scheme in 1974.

34 The scheme would impose additional costs, and provide additional benefits across the whole workforce. For these reasons, we consider it important to consult with the public on the proposal before any final decisions are taken by the Forum and Government.

35 We consider it vital that we are guided by the views of the public on:

- Whether New Zealand should introduce an income insurance scheme.
- What a New Zealand income insurance scheme should look like.

36 On 23 September, our Forum partners, the New Zealand Council of Trade Unions and Business New Zealand, as our co-leads on this work, agreed to refer the proposals outlined in the attached discussion document to Cabinet for agreement for the purpose of public consultation.

37 We are now seeking Cabinet’s agreement to consult publicly on these proposals and authorise the Minister of Finance and Ministers of Social Development and Employment and Workplace Relations and Safety to make editorial changes to the document as needed and agree the date of publication for the document and public consultation.

38 Following public consultation, Cabinet will need to consider whether to proceed with the proposal, and if so, to confirm design and delivery choices. Assuming a decision to implement the new scheme, officials will then focus on detailed implementation planning, operational policy design, and legislation.

### **There are a number of key design choices which affect eligibility and entitlements to income insurance**

39 Income insurance schemes are complex. There are choices to consider in coverage, entitlements, funding, and delivery. None of these are simple choices, and there are many interactions between policy choices.

40 The attached discussion document explores the options that have been considered for each element and outlines a preferred position for each setting. The parameters proposed in the document are outlined below.

## **Proposed coverage and entitlements for displaced workers**

### *Coverage provided for displaced workers who face the involuntary, no-fault loss of an entire job*

- 41 The scheme would cover displacement (the involuntary loss of work, due to the disestablishment of a job).
- 42 The scheme would not cover job loss due to poor employee performance, gross misconduct or resignations.
- 43 The scheme (for displacement) would cover complete job loss only (including full loss of a part-time job where a person remains engaged in other employment).

### *Coverage provided for most working arrangements*

- 44 Coverage would be provided for most working arrangements including:
- Full and part time permanent employees (casual and fixed term employees whose pattern of work resembles permanent employment would be treated as permanent).
  - Fixed term and seasonal employees (where displacement prevents completion of time-limited employment agreements, with entitlements covering the remainder of the employment agreement).
- 45 The discussion document seeks views on options for how the scheme could cover the self-employed. At a minimum, the scheme would seek to cover those self-employed people who most resemble employees.

### *Coverage dependent on minimum contributions, with limits for subsequent claims*

- 46 To qualify for insurance payments, workers would need to have contributed to the scheme for six months or more, over the 18 months preceding the claim. Time on parental leave would be included in the qualifying period.
- 47 A limit would apply on subsequent claims from the scheme.

### *Coverage provided for New Zealand citizens and residents*

- 48 It is proposed that insurance payments would be available to New Zealand citizens and residents only (all people lawfully working in New Zealand would contribute to the scheme's costs, to ensure no form of labour was cheaper). As of June 2021, there were 182,000 migrants with temporary work rights, and 445,087 with permanent work rights ("residents") in New Zealand.

### *Entitlements substantially to replace lost incomes for a fixed duration*

- 49 The income insurance scheme would provide a replacement rate of up to 80% of prior income (up to an income cap of \$130,911), for a maximum period of six months plus an initial four-week period to be paid by the employer (known as a "bridging payment").



- 50 Where a person lost a part-time job, and continued to earn income from another part-time job, insurance would “top-up” the worker’s income to 80% of the total pre-loss level.
- 51 Insurance payments would be calculated on an individual basis (that is with no asset testing, or partner income assessment), and would abate dollar-for-dollar (100%) once the combination of personal exertion income (income from work) and insurance reached 100% of pre-loss income.

*A mechanism to enable extension of the duration of entitlement*

- 52 It is proposed that the discussion document consults on the inclusion of a mechanism to extend the base duration for training or vocational rehabilitation for up to a maximum of 12 months, provided the appropriate services and programmes are available and in place to satisfy a number of criteria.

*Entitlements treated as income for social security payments*

- 53 As canvassed in the attached discussion document, there are a number of interfaces between any new insurance scheme and the existing suite of assistance available through the welfare, ACC and Student Support systems. Ensuring that these interfaces are well thought out and ensure the best possible client experience is key to the success of any new insurance scheme.
- 54 As proposed, the Ministry of Social Development and Inland Revenue would treat insurance payments as income for welfare and tax purposes.
- 55 Those otherwise eligible may therefore be able to receive additional support from the welfare system in addition to their insurance entitlements, with entitlements affected by their level of insurance. Other support could also be received alongside insurance (depending on eligibility) such as New Zealand Superannuation and Student Support.

*Employers to support the scheme’s operation*

- 56 Employers would give at least four weeks notice to the insurer and to the employee pre-displacement. This is a change from the status quo, since there is currently no statutory minimum notice period.
- 57 Employers would also meet the cost of the first four weeks of the worker’s period of unemployment (with this “bridging-payment” refunded by the insurer to the employer if the worker found work in this period.) This “bridging-payment” would be in addition to any existing contractual redundancy arrangements.

**Proposed coverage and entitlements for those with health conditions and disabilities**

*Similar provisions for displacement and health conditions and disabilities*

- 58 Insurance for work loss due to health conditions and disabilities would largely provide the same entitlements as insurance for displacement. The

replacement rate, abatement rate, duration of coverage, contribution requirements, limits on subsequent claims, citizenship or residence requirements, and interactions with other payments would be the same.

- 59 Insurance for health conditions and disabilities that significantly reduce work capacity would cover *all* working arrangements (with all forms of self-employment fully covered).

*Coverage for any health condition or disability that leads to a significant reduction in work capacity*

- 60 The scheme would cover any health condition or disability (not resulting from an accident which is covered by ACC) that results in a reduction of capacity to work of at least 50% and that is expected to last for no less than four working weeks<sup>5</sup>. Where a person maintained some of their employment, insurance would “top-up” the worker’s income to 80% of the total pre-loss level.

*Health professionals would certify the impact of the health condition or disability on work capacity*

- 61 To qualify for the scheme, the claimant would need to provide a work capacity assessment (in the form of a medical certificate from the claimant’s health practitioner) along with evidence from the employer (as required) of the claimant’s capacity to undertake their job and what might be needed to support return to work. Using this information, ACC would make the final decision on whether or not the claim is accepted. Any additional independent work capacity assessment would be undertaken as needed.
- 62 The timing of any reviews of a claimant’s work capacity would be guided by discussions with the claimant, advice from the claimant’s health practitioner and progress made towards returning to work where this is appropriate.

*Employers to assist claimants to return to work, and keep jobs open*

- 63 Employers would undertake reasonable steps to support an employee to continue working (including workplace accommodations or redeployment where possible) prior to the employee ceasing work or reducing hours to the point they become eligible for the scheme.
- 64 Employers would be expected to make reasonable efforts to protect the job where there is a realistic possibility of return to work within six months.

**Supporting return to work and rehabilitation**

*The scheme would help claimants return to good jobs*

- 65 The scheme would operate a client management system that would connect insurance claimants with support to find work, or to prepare for work, in part by linking to existing support services and labour market programmes

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<sup>5</sup> The partial or total reduction of work capacity may be due to changes in a pre-existing condition or as a result of a newly acquired condition.

managed in other systems<sup>6</sup>. As part of this, the scheme would offer access to specialised employment case management where this would improve a worker's chances of getting a good job.

- 66 While the scheme would administer and manage claims, further policy and operational work is required on the employment cases management system, including the referral process to other agencies where appropriate.

*Claimants to search or prepare for work, with payments able to be suspended in cases of serious non-compliance*

- 67 Claimants would be expected to be based in New Zealand, to demonstrate effort to search for and accept offers of suitable employment, or to prepare for employment (with deferrals for those undertaking approved training).
- 68 Claimants would be expected to accept suitable offers of employment that provide at least pre-displacement wages and meet other terms and conditions, such as being in a suitable location.
- 69 Non-complying claimants would receive additional case management, where needed to support return to work, with the potential for payments to be suspended in cases of serious non-compliance until a claimant re-complied.

*Health condition and disability claimants obliged to participate in work capacity assessments, and return to work services where appropriate*

- 70 Claimants would provide subsequent work capacity medical certificates (similar to those used by ACC or MSD) if required.
- 71 Claimants would engage in return to work activities (e.g. rehabilitation, training, job search) activities where relevant, required and available.
- 72 Any job search obligations could be deferred based on guidance from a health practitioner.

## **Delivering income insurance**

*Scheme to be administered by the Accident Compensation Corporation*

- 73 Employers, working people or health professionals could lodge insurance claims with ACC, which would administer the scheme.
- 74 Governance of the scheme would include tripartite and Māori representation. Consideration would also be given to how best represent other ethnic groups including Pacific peoples in the governance of the scheme.
- 75 The scheme could begin operating in May 2023 at the earliest.

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<sup>6</sup> Work is being undertaken on a review of Active Labour Market Policies and on expanding MSD's employment service which complements the work on income insurance.

*Disputes would be handled efficiently*

- 76 ACC would provide an efficient dispute resolution system referring reviews or disputes to independent reviewers, with multiple escalation steps where needed.

*The scheme would take enforcement action where necessary*

- 77 The scheme would take appropriate action to collect levy payments, and to deter and respond to misrepresentation.

*The Corporation would require high quality and timely information to deliver the scheme effectively and efficiently*

- 78 The Corporation will develop information sharing agreements and sharing arrangements with employers, other agencies, and service providers.

## **Funding income insurance**

*Costs of the scheme to be shared between employers and workers*

- 79 The costs of the scheme would be met via a compulsory levy paid in equal proportions by employers and employees. It is difficult to determine with absolute certainty what the exact costs of the scheme will be. There are multiple reasons for this such as the data available, the potential behavioural impacts and limitations of using international examples.
- 80 When estimating the likely costs of the scheme, we considered a variety of international experiences and the historical experience of displacement and job loss arising from health conditions and disability. We also considered evidence that behavioural changes take time to establish. In light of this, we modelled various scenarios. Depending on the scale of behavioural change, the modelling identified costs that would result in a total levy rate of between 1.29% and 3.74% (including GST).
- 81 While it may need to change with any design changes or modelling refinement, we have proposed for the purposes of public consultation that the levy be set at 2.77%. This means a levy of 1.39% for employers, and 1.39% for employees. Of the total levy, displacement makes up 1.42%, and health conditions and disability makes up 1.36%. The levy would be adjusted when necessary, to meet the scheme's costs, in much the same way as the current ACC levy.
- 82 The scheme would operate a fund for displacement claims, and a fund for health condition claims, and be fully funded to meet its annual liabilities.

*The Crown would contribute in some rare situations.*

- 83 The Crown would act as funder/lender of last resort when required, but this would be repaid via levies (spread over time to maintain manageable, stable levies).

- 84 The income insurance legislation would provide the flexibility to vary entitlements and eligibility in times of crisis, for example, a natural disaster. This could include extending maximum entitlement durations, or using the scheme to administer a wage subsidy. This could require Crown funding. Further work will be undertaken on when the Crown would be required to contribute to the scheme<sup>7</sup>.

### **There are risks associated with the proposal to introduce an income insurance scheme in New Zealand**

- 85 Our May 2023 implementation date is ambitious, and comes with the risk of less time for consultation and legislative, policy and operational design work. However, meeting this timeframe would ensure that there is greater support in place for people who lose their jobs as quickly as possible. We have seen the importance of this in our response to COVID-19. To mitigate risks of this timeframe, we are ensuring this project has the funding and priority it needs to progress at pace. We have a clear plan and timeframe to progress this work and have the backing of our Forum partners to do so.
- 86 There are also risks of the scheme itself if the Government chooses to implement it. The scheme would look to mitigate these risks through design settings. These risks are outlined in the attached discussion document, but include for example:
- More generous entitlements allow more time for job search or retraining, but also carry a greater risk that people remain on the scheme for longer without looking for work - to reduce this risk, insurance schemes often require evidence of job search with consequences for those non-compliant, and overall scheme design encourages a return to work, through time limits and contribution requirements.
  - With an insurance scheme in place, there are risks that employers could become more inclined to make people redundant, or workers in declining firms could wait to be made redundant rather than seeking other employment – as well as investing in active labour market policies (ALMPs) to support people to return to well-paying jobs, appropriate entitlement durations, minimum contribution periods, and limits on how often a person can claim insurance can help manage the risks of greater displacement occurring. Employer ‘bridging-payments’, as proposed, can mitigate the risk of ‘sham’ redundancies.
  - There are risks trying to ensure that entitlements for health conditions and disabilities cover people with genuine need and not those who are able to work – a clear threshold for eligibility, certification by a medical practitioner and the use of independent medical reviews where required can help to reduce any potential gaming risks while maintaining coverage for those with genuine need.

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<sup>7</sup> Some countries set threshold for Crown intervention, for example when unemployment hits a certain level.

- 87 The risks of any proposed scheme will be outlined in more detail to inform final policy decisions.
- 88 The introduction of any insurance scheme would also have an impact on the existing income protection insurance industry. We understand this impact is likely to be marginal given the size of the industry, and expect the market to adjust over time. However, given the implications for this industry, and the lessons we may be able to learn from them, providers of insurance are a key group we are interested in targeting during public consultation.

## **Implementation**

- 89 As outlined above and in the discussion document, it is proposed that ACC would implement the scheme.
- 90 ACC has a number of institutional features and functional capabilities that the new scheme could leverage. For example, ACC is a Crown agent, which provides an ability to independently manage funding and has existing infrastructure for levying, separate fund management, claims management and assessment, case management systems, return to work interventions, actuarial expertise, data management and analytics and dispute resolution. These capabilities can be used or modified for the purposes of delivering the scheme.
- 91 At the earliest, the scheme could be implemented in 2023. As outlined in the financial and legislative implications, this will require initial funding and a minor legislative amendment following policy decisions.
- 92 ACC advises that it is working towards a mid-2023 scheme commencement date but that this timeframe is ambitious. ACC advises that it is unlikely that all aspects of the scheme as designed will be able to be fully operational by this time and progressive implementation may be required. It expects some very basic functions (for example, a payment function where there are clear eligibility requirements) could be operational by that time. Final advice to Cabinet on the scheme commencement date will be provided by ACC in 2022, based on implementation planning which has commenced, and subject to final policy decisions and funding.

### *Publication of the discussion document*

- 93 Meeting a 2023 implementation date requires a period of time for public consultation, further policy design work and analysis of submissions prior to Cabinet decisions in March 2022. However, it is important to consider an appropriate time to publish the discussion document and begin public consultation, particularly given the current higher COVID-19 Alert Level in Auckland. We are seeking authorisation for the Minister of Finance and Ministers for Social Development and Employment and Workplace Relations and Safety to agree the date of publication for the document and public consultation.

- 94 It should be noted that any significant delay to the publication of the discussion document is likely to have flow on implications for our implementation date. Assuming there are no significant delays, the timeframe to meet a 2023 implementation date is outlined in the table below.

Milestones (overall scheme)	By when
Public consultation launch	To be determined
Public consultation closes	To be determined
Submissions analysis and final policy design work	To be determined
Cabinet decisions and commencement of work on implementation	March 2022
Drafting of legislation	July 2022
Introduction and first reading	August 2022
Select Committee process	September 2022
Passage of legislation	May 2023
Implementation/Go Live	2023

### Financial Implications

- 95 The main cost of the proposed insurance scheme will arise from insurance payments for insurance claims. Levies will provide the revenue for claims payment.
- 96 In addition to the cost of claims, there will be costs to design and establish the scheme, and some modest additional ongoing policy and operational costs that cannot be funded by levies. These design, establishment and ongoing costs are not yet funded.
- 97 The immediate need is to ensure resources for the project through to March 2022, when Cabinet will decide whether to implement the scheme.
- 98 A choice not to implement the scheme would mean no further resources are needed beyond March 2022. If Cabinet decides to implement the scheme, then very substantial additional resources will be needed.

#### *Project funding to March 2022*

#### Funding for policy advice, consultation, and legislation (Ministry of Business, Innovation, and Employment)

- 99 The insurance project is resourced through trade-offs from policy projects across a range of ministerial portfolios. These trade-offs particularly affect the Social Development and Employment portfolio, which is supported by the Ministry of Social Development and Ministry of Business, Innovation and Employment.

- 100 This is not a sustainable approach: continuing to trade-off other priorities is not desirable, and the project's resource needs are increasing as it enters a busy phase of public consultation, and refining the scheme design.
- 101 The next phase of work – through to a Cabinet decision in March 2022 whether to implement the scheme – involves:
- further policy and design development,
  - public consultation,
  - legislation to enable ACC to begin implementation, and
  - budget advice to secure resources for the implementation phase and out-years.
- 102 The project team estimates a total cost of \$2m to complete this work.
- 103 I propose that Cabinet agree to meet this cost from the Budget 2021 Between Budget Contingency. I am satisfied that this is an unavoidable cost that cannot be funded through further trade-offs.
- 104 The Minister for ACC, Minister for Workplace Relations and Safety, and I also propose to establish a new departmental output expense category in the Vote Labour Market policy MCA for income insurance policy.

#### Funding for pre-implementation costs (Accident Compensation Corporation)

- 105 In addition to policy design and consultation, a significant programme of work is required to enable ACC to be ready to operate the proposed new scheme by May 2023. This pre-implementation work needs to begin as soon as possible for the May 2023 'go live' date to be feasible.
- 106 This pre-implementation work – through to a Cabinet decision in March 2022 whether to implement the scheme – involves:
- service, process, organisational, and technological design,
  - costing, and
  - programme management.
- 107 The project team estimates a total cost of \$5.2m to complete this work through to March 2022. Since legislation prevents ACC from using its own funds for significant activity outside the Accident Compensation (AC) scheme, the Corporation requires new funding for the pre-implementation work.
- 108 I propose that Cabinet agree to meet the full cost of the pre-implementation work from the Budget 2021 Between Budget Contingency. I am satisfied that this is an unavoidable cost that cannot be funded through trade-offs.



109 The Minister for ACC and I also propose to establish a new non-departmental output expense appropriation in Vote Labour Market for establishing the scheme. Creating this appropriation, and completing the pre-implementation work, does not commit us to implementing the proposed scheme.

*Project funding beyond March 2022*

■ Confidential advice to Government  
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112 As well as costs to establish the scheme there will be other costs to the Crown. As noted above, the Crown will act as lender of last resort for the scheme. The Crown will also be liable to pay the levy for its role as the employer of the public service. The scheme may also highlight gaps in existing support services and ALMPs which may require funding, noting decisions on this would be taken on a case by case basis.

113 Cabinet will receive further detailed information on these costs and a funding proposal in March 2022, as part of its final consideration whether to implement the proposed scheme.

**Legislative Implications**

*Establishing the income insurance scheme*

114 The introduction of income insurance would require a new act of Parliament and is likely to require consequential amendments to existing legislation.

115 In order to meet a May 2023 implementation date, agreement to issue drafting instructions would be sought alongside policy decisions in March 2022. Officials would then consult with the Legislation Design Advisory Committee on the substantive provisions. It is currently anticipated that the Bill would be introduced to the House in August 2022 and passed by May 2023.

*Implementing the income insurance scheme*

116 It is currently proposed that ACC deliver the new scheme, subject to feedback through public consultation. If the scheme is to be delivered by ACC as

proposed, an initial piece of legislation will need to be passed by March 2022. This legislation would enable ACC to begin developing and implementing operational requirements for the scheme and committing financial and personnel resources, to meet the Government's implementation timeframe.

#### Need for legislative change

- 117 It is proposed that Cabinet agree that an interim Bill be drafted to enable ACC to develop operational requirements for the scheme.
- 118 ACC does not currently have the necessary statutory authority to develop the operational requirements that will be needed for a new income insurance scheme. The Accident Compensation Act 2001 (the Act) only allows ACC to provide, and therefore operationalise, services that relate to the purposes of the Accident Compensation scheme (sections 3, 262 and 265 of the Act refers).
- 119 While ACC can undertake some advisory and planning work to assess the implications of a government policy change as part of its current functions (s.262(1)(d) of the Act refers), this cannot be extended to making investments in new delivery systems for a new income insurance scheme without new legislative authority to do so. Any contract entered into for the income insurance arrangements in the absence of legislative authority would be an invalid contract under the Crown Entities Act (refer s.19)
- 120 ACC will therefore need legislation to first be passed to enable it to begin any work on implementing an income insurance scheme (e.g. hiring staff to design systems, and engage IT build). Work on implementing the scheme will need to begin reasonably quickly if the income insurance scheme is to commence in 2023.
- 121 To support commencement of the scheme in 2023, it is proposed that a short, interim Bill be drafted, so that it will be ready to be passed as soon as practicably possible after public consultation. The interim Bill would need to pass by March 2022.
- 122 The funding for setting up an income insurance scheme cannot be sourced from the ACC levy and an appropriation will be required for ACC to meet the costs of the implementation of the scheme. This will also need to be made clear in the proposed interim Bill. Cabinet will be provided with separate advice on the likely cost implications for the implementation of the scheme and we intend to seek Crown funding through Budget 2022 to enable ACC to implement the scheme, provided Cabinet agrees to ACC implementing the scheme.
- 123 The intention is for ACC to have both the legal authority and the funding shortly after Cabinet has made policy decisions to enable implementation work to commence.
- 124 More broadly, the intention is that the AC scheme is not adversely affected by the work and legislative reform relating to the income insurance scheme.

- 125 It is therefore proposed that an interim Bill be developed that would enable ACC to:
- Carry out any functions, including planning for, expending on, and undertaking activities relating to the preparedness for the delivery of the scheme, that the Minister directs in accordance with section 112 of the Crown Entities Act 2004. This could include:
    - hiring staff to design the system and operating protocols for claims acceptance, management and risk assurance
    - reconfiguring its internal governance and organisational arrangements to provide for a new income insurance scheme
    - initiating the IT build involving procuring, contracting overseeing and testing the overall IT build.
  - Be funded by an appropriation for these activities (and not through the AC scheme levy) and require funding to be applied, accounted for, and reported on separately from the AC scheme accounts.
- 126 This interim legislation would be temporary and would be repealed in the substantive legislation for the scheme.

#### Legislative process

- 127 The interim Bill would be relatively simple, but legislation relating to ACC tends to attract a high level of interest. Upon introducing the Bill it would need to be clearly communicated (including through the Explanatory Note to the Bill) that:
- the interim Bill will only enable ACC to start work on operational systems for the proposed scheme, but the details of the scheme would be the subject of a separate Bill that would be introduced to the House later in 2022 for full examination and scrutiny by the Select Committee and the House of Representatives
  - the interim Bill would not affect AC scheme eligibility, entitlements or funding
  - the government would be seeking to leverage ACC administrative capabilities, and promote synergies in rehabilitation outcomes for a new scheme
  - the schemes would be independent of each other with separate legislative authorities.
- 128 The interim Bill could be enacted at any time following the close of public consultation in December, but must be passed no later than March 2022. Passing the interim Bill by March 2022 allows sufficient time for ACC to do the operational work required to implement the scheme by May 2023.
- 129 At this stage we propose that PCO be authorised to draft legislation so that the interim Bill is ready for introduction following completion of public

consultation. We will provide more advice on when best to enact the Bill when we have an idea of where public consultation is landing.

### Timeline

- 130 It is critical that the interim Bill come into force by March 2022 at the latest to allow ACC to begin implementation of income insurance for the scheme to go live in 2023. The proposed timing for the legislation is summarised as follows:

<i>Step</i>	<i>Proposed date</i>	<i>Consistency assurance</i>
Date on which final drafting instructions will be sent to the Parliamentary Counsel Office.	14 October 2021	It will be a short Bill, with reasonably straight forward drafting.  PCO will be consulted at the outset.
Date by which the Bill will be provided to the Ministry of Justice for an assessment of consistency with the New Zealand Bill of Rights Act 1990.	By 1 December 2021	The Bill is expected to be able to be provided to Ministry of Justice for NZBORA vetting in November, but officials have built in time to ensure the Bill is vetted in time.
Dates on which the Bill will be before LEG and Cabinet for approval for introduction.	To be decided following consultation.	The Bill could be enacted between February and March 2022. February is just after public consultation finishes and March is after the policy decisions have been finalised. There is a risk of undermining public consultation if the Bill is enacted before policy decisions are made.
Date requested for introduction of the Bill.	To be decided following consultation.	This date would at the latest coincide with Cabinet's agreement to policy decisions on the income insurance scheme, which will provide the basis for operational implementation of the scheme, and the development of the legislative detail for the scheme.
Date of report back from select committee.	TBA	It is proposed that either the Bill go through all stages and be enacted by March 2022 (refer Standing Order 293(3)); or be referred for a very truncated Select Committee process

Date of enactment.	By March 2022	
Date of commencement.	By March 2022	Commencement would coincide with funding being provided.

## Impact Analysis

### *Regulatory Impact Statement*

- 131 A cross-agency RIA panel convened by MBIE has assessed the summary of the case for change in the discussion document and considers that this partially meets the RIA quality criteria.
- 132 The main reason for this assessment is that the assessment of overall costs and benefits of introducing an income insurance scheme is uncertain. This issue will be tested through the discussion document, through this public consultation stage of the policy development process, so this uncertainty is to be expected. For final policy decisions after public consultation, the panel would expect a clear case for change to be able to be demonstrated.
- 133 The discussion document does set out clearly what the proposed design features are for the proposed social insurance scheme and how it would complement other policy settings and planned policy changes. This will enable informed public consultation on the detail of the proposal.
- 134 For the RIA accompanying final policy decisions, the panel would also expect to see an assessment of whether introducing social insurance is the recommended policy response and an acknowledgement of any constraints on that analysis.
- 135 The panel did not review the individual design choices in the discussion document against the RIA criteria, as the approach to analysis has been to present a package of the recommended proposal assessed against the status quo. Key design choices are all presented as the package of proposals in the summary of the case for change in the discussion document, with the remainder of the discussion document focussed on the details behind the package of proposals.

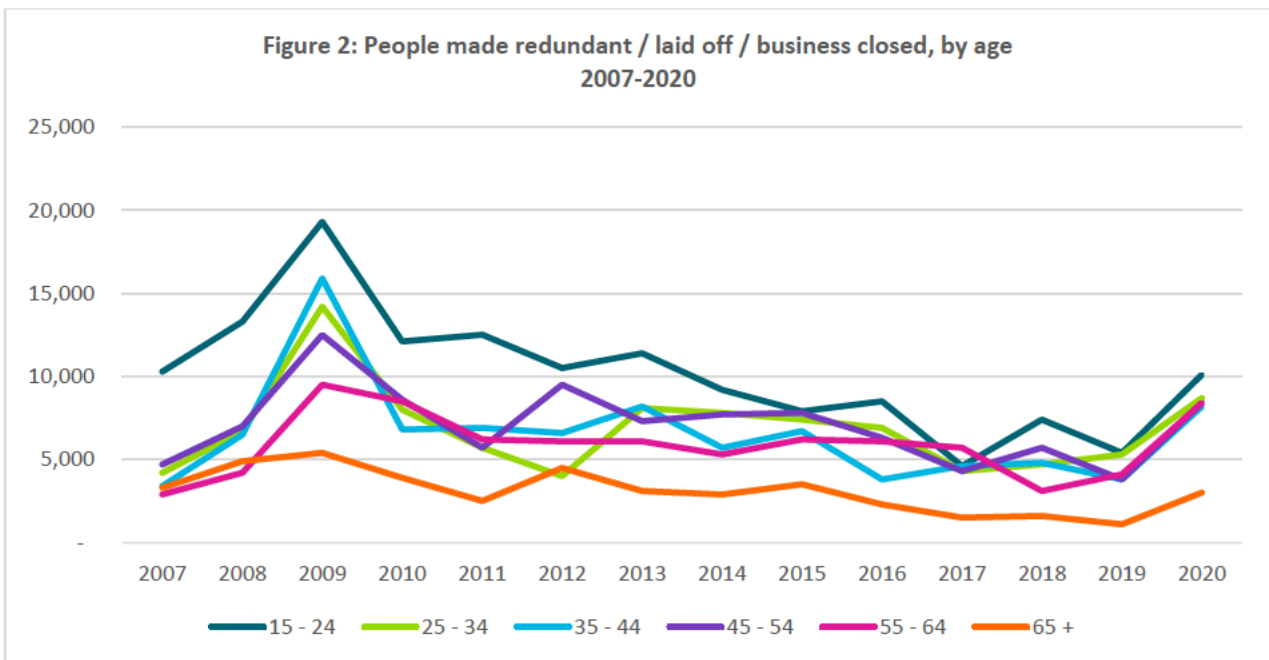
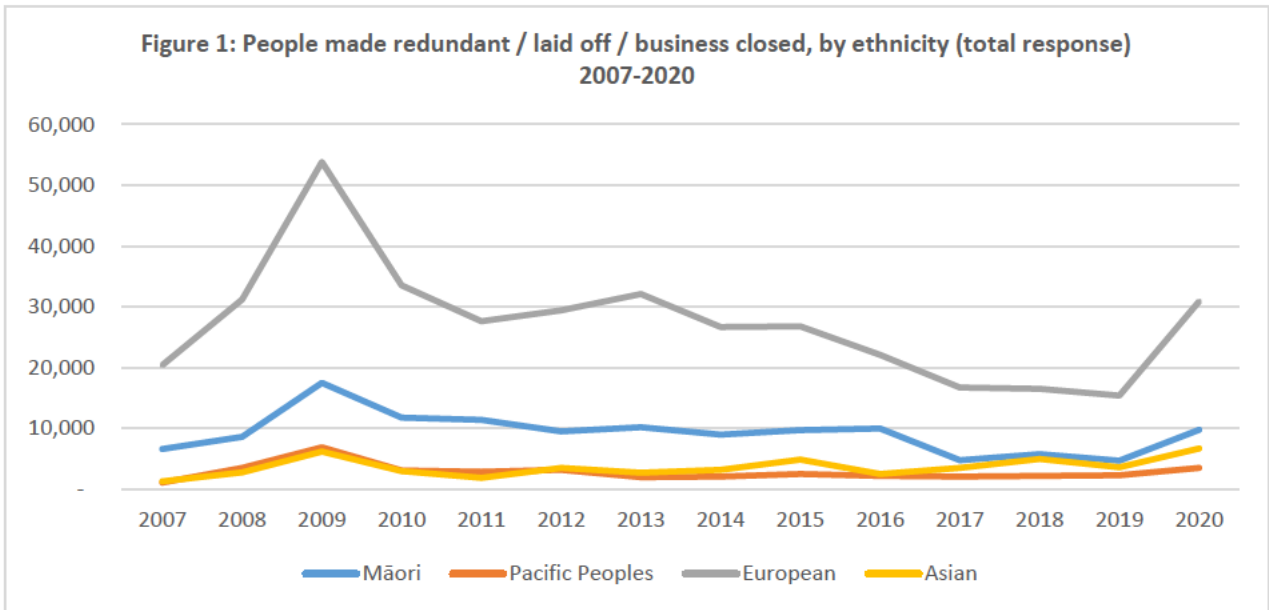
### *Climate Implications of Policy Assessment*

- 136 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

## Population Implications

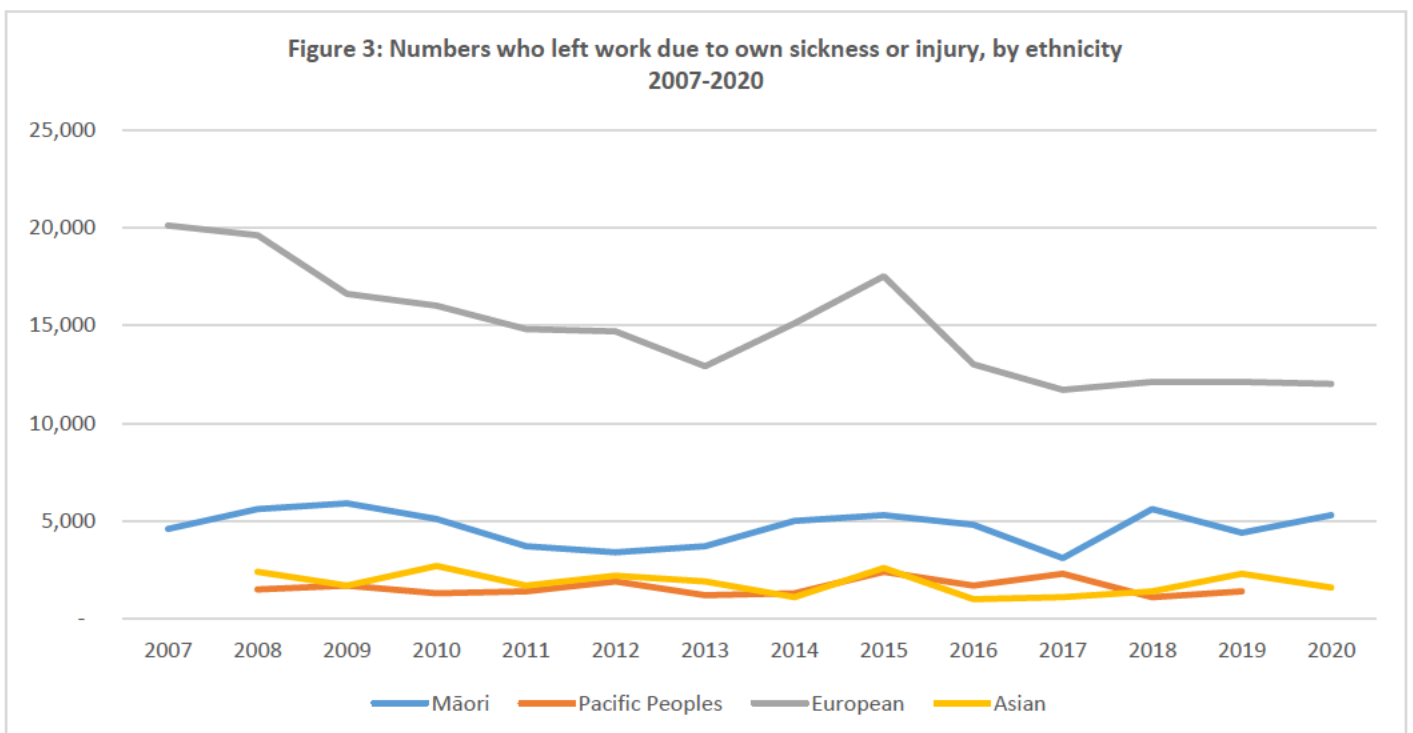
- 137 As outlined in the attached discussion document, the introduction of income insurance would have implications across the workforce which is why we consider public consultation to be vital.

138 An income insurance scheme would provide greater support to workers who lose their jobs. In New Zealand, an estimated 30 - 40,000 people are likely to lose their jobs due to displacement annually, in a normal year (this is generally higher in times of economic crisis such as the Global Financial Crisis). Due to the quality of New Zealand data collection, this is likely to be an under-estimate. Young people are a significant proportion of those displaced, and young Māori are a particular high proportion of this group. Figures one and two below show the instances of redundancies by ethnicity and age<sup>8</sup>.



<sup>8</sup> Figures one, two and three use data from the Household Labour force Survey.

- 139 The number of people leaving work due to a health condition or disability is less affected by the economic cycle. In 2020, 17,300 people left work due to a health condition or disability.
- 140 The inclusion of coverage for those with health conditions and disabilities is likely to strongly benefit those affected. Māori and Pacific peoples are disproportionately affected by health conditions and disability. Māori are disproportionately likely to leave work for health or disability reasons, and older workers (55-64 years and 65+ years) face higher rates of displacement due to a health condition or disability. There has been a growth in the numbers of younger people displaced, which is likely to reflect international trends in the prevalence of mental health conditions. Figure three below shows the breakdown of those leaving work due to a health condition or disability by ethnicity.



- 141 Data suggests that those displaced from work are more likely to be on lower incomes, with those with health conditions and disabilities more likely to be on very low incomes. This suggests that instances of displacement historically occur more at the lower-end of the income distribution, meaning those on lower incomes may stand to benefit from access to the scheme more frequently than those on higher incomes who face less risk of displacement. This may benefit Pacific peoples given they are overrepresented amongst those who have low incomes and have the lowest median income, when compared to other population groups.
- 142 There are several key design choices when developing an insurance scheme which can influence who is eligible for assistance and therefore the distribution of the benefits and costs of the scheme. These are highlighted in

the attached discussion document and will be informed further through public consultation, prior to final policy decisions on the scheme being taken.

- 143 With the introduction of an income insurance scheme, all employees, employers and some self-employed will bear the cost of the levy. The levy will reduce a worker's net income. How this affects households depends on individual and family circumstances. Low-income families are likely to feel the effects most materially. This is particularly important as broadly half of children in poverty in New Zealand are in working households.

### *Honouring our Treaty Partnership*

- 144 As outlined in the attached discussion document, we recognise the importance of meeting the Government's obligations under Te Tiriti o Waitangi in the design of this scheme. In particular, the scheme will need to apply the principles kawanatanga/Governance, tino rangatiratanga/independence, and Rite Tahī/Equity of Rights.
- 145 A Māori perspective is also required to guide the design, development of the policy and operation of the income insurance system. This approach means engaging with Māori in meaningful partnerships in design, delivery and evaluation of services to Māori, including mainstream services.
- 146 Applying these principles and approach will help ensure that the scheme delivers on good governance and partnership, supports Māori autonomy and ensures equity of access, participation and outcomes for Māori.
- 147 The population and Te Tiriti implications of the proposed scheme will need to be considered further at the time of final policy decisions.

### **Human Rights**

- 148 Access to social security in the event of unemployment, sickness, disability and other circumstances beyond an individual's control is a human right. The Committee on Economic, Social and Cultural rights identified the essential elements of the right to social security including the adequacy of payments in amount and duration, the accessibility of payments including coverage for all, reasonable eligibility criteria and, for contributory social security schemes, the need for ongoing affordability and sustainability of the scheme.
- 149 The proposal to introduce income insurance in New Zealand increases the level of security for people who face job loss due to displacement or a health condition or disability, as it adds to existing security already provided through the welfare and AC systems. The settings outlined in the discussion document propose a generous income replacement level for a reasonable duration, broad coverage of entitlements and a modest levy to fund the scheme.
- 150 Human rights implications will need to be considered further when final policy decisions on an income insurance scheme are taken.



## Consultation

- 151 This paper was prepared by the Ministry of Business, Innovation and Employment. The Treasury, Ministry of Social Development, Inland Revenue, Ministry of Health, Ministry of Education, Te Puni Kōkiri, Ministry for Pacific Peoples and Accident Compensation Corporation have been consulted. The Department of the Prime Minister and Cabinet has been informed.
- 152 Representatives from the New Zealand Council of Trade Unions and Business New Zealand were involved in drafting the attached discussion document.

## Communications and Proactive Release

- 153 We propose to proactively release this paper (subject to redaction as appropriate under the Official Information Act 1982) in conjunction with the release of the public discussion document.
- 154 Subject to Cabinet authorisation, the Minister of Finance and Ministers for Social Development and Employment and Workplace Relations and Safety will agree the date of publication for the document and public consultation, based on the ongoing COVID-19 Alert Level situation.
- 155 In order to support accessibility, the summary document will be available in Braille, audio, Large Print, Easy Read, and sign language videos. As these versions take four weeks to create, they may not be ready for the launch. MBIE will communicate this with key health and disability stakeholders, and share these versions when they are complete. MBIE will also provide a sign-up option, so people can be alerted when they are published. As an interim measure, the summary document will be re-created as web content on the MBIE website, which meets accessibility standards, including compatibility with screen readers. The summary document will also be translated into Te Reo Māori.
- 156 Given the significance of the proposal, public consultation on income insurance requires a broad approach that reaches as many New Zealanders as possible. The Government, BusinessNZ and the NZCTU will ensure awareness of the proposals and the rationale for the scheme, encourage people to have their say, and test the social licence for the scheme.
- 157 BusinessNZ and the NZCTU will use their channels and coordinate with their stakeholders in the business and worker communities. Departments will also use their channels and coordinate with stakeholders to ensure awareness of the proposals and encourage submissions.
- 158 Engagement will include in-person engagements with peak representative bodies for health professionals, health and disabilities communities, the vocational education sector, finance industry, business and unions groups, and economists. Engagement will occur directly with Māori, given the Crown's Treaty obligations and the principle of partnership in consultation.

## Recommendations

159 The Ministers of Finance, Social Development and Employment and Workplace Relations and Safety recommend that the Committee:

### *Consulting on a social insurance scheme*

- 1 **note** that on 15 March 2021, Cabinet agreed that the government work with business and union representatives to design a social unemployment insurance scheme for public consultation [CAB-21-MIN-0069 refers];
- 2 **note** that work to date has indicated that establishing an income insurance scheme is viable, affordable and has a real chance to meet objectives to minimise the financial impact of losing work, support the wider economy through economic shocks and help people return to good jobs;
- 3 **note** the contents of the attached discussion document “*An income insurance scheme for New Zealand workers*” which proposes a new insurance scheme for the purposes of public consultation;
- 4 **note** that on 23 September, the Future of Work Forum discussed the proposals outlined in the discussion document for the purpose of public consultation and referred them to Cabinet for agreement;
- 5 **agree** to undertake public consultation on the proposal to introduce a social income insurance scheme in New Zealand as outlined in the attached discussion document, subject to minor and editorial changes;
- 6 **authorise** the Minister of Finance, Minister for Social Development and Employment and Minister for Workplace Relations and Safety to agree to the date of publication for the document and public consultation;
- 7 **authorise** the Minister of Finance, Minister for Social Development and Employment and Minister for Workplace Relations and Safety to make minor and editorial changes to the discussion document, in line with the policy intent, prior to its release;

### *Project funding to March 2022 for policy advice, consultation, and legislation (Ministry of Business, Innovation and Employment)*

- 8 **note** that the income insurance project is a large public policy project that is currently resourced through trading-off other priorities, mainly in the Social Development and Employment portfolio;
- 9 **note** that the project’s resource needs are increasing, and there is limited scope to reprioritise further either within the project, or to trade-off other projects;
- 10 **note** that the next phase of work – through to a Cabinet decision in March 2022 on whether to implement the scheme – involves:
  - further policy development,

- public consultation, legislation to enable the Accident Compensation Corporation (ACC) to begin implementation, and
- budget advice to secure resources for the implementation phase and out-years;

11 **note** that completing this work has a total cost of around \$2m through to March 2022;

12 **agree** to add the following category to the multi-category appropriation “Policy Advice and Related Services to Ministers” in Vote Labour Market:

Title	Type	Scope
Policy Advice and Related Services to Ministers – Income insurance	Departmental Output Expense	This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) and services to support decision-making by Ministers on government policy matters relating to income insurance.

13 **approve** the following changes to appropriations to provide for income insurance policy and related work, with a corresponding impact on the operating balance and net core Crown debt:

Vote Labour Market Minister for Workplace Relations and Safety (Minister responsible for MCA)	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2025/26	2026/27 & Outyears
Multi-Category Expenses: Policy Advice and Related Services to Ministers Departmental Output Expense: Policy Advice and Related Services to Ministers – Income insurance	2	-	-	-	-

14 **agree** that the proposed change to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

15 **agree** that the expenses noted under recommendation 13 above - \$2m - be charged against the between-Budget contingency established as part of Budget 2021;

*Project funding to March 2022 funding for pre-implementation costs (Accident Compensation Corporation)*

16 **note** that a significant programme of work is required to enable the Accident Compensation Corporation to be ready to operate the proposed new income insurance scheme by May 2023, and that pre-implementation work needs to begin as soon as possible;

17 **note** that this pre-implementation work – through to a Cabinet decision in March 2022 whether to implement the scheme – involves:

- service, process, organisational, and technological design,
- costing, and
- programme management.

18 Confidential advice to Government

19 **direct** the ACC to complete the pre-implementation work described in recommendation 17 above;

20 **note** that legislation prevents the ACC from using its own funds for significant activity outside the Accident Compensation scheme and therefore requires new funding for the pre-implementation planning;

21 **agree** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Labour Market	Minister for the Accident Compensation Corporation	Establishment of new income insurance scheme	Non-Departmental Output Expense	This appropriation is limited to the Accident Compensation Corporation undertaking pre-implementation planning and design work required for the proposed new income insurance scheme for job loss due to displacement or health conditions and disabilities, and establishing the income insurance scheme

22 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 19 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Labour Market Minister for ACC	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2025/26	2026/27 & Outyears
Non-departmental Output Expense: Establishment of new income insurance scheme (funded by revenue Crown)	5.20	-	-	-	-

23 **agree** that the proposed change to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

24 **agree** that the pre-implementation work noted under recommendation 22 above be charged against the between-Budget contingency established as part of Budget 2021;

27

## *Project funding beyond March 2022*

■ Confidential advice to Government

■ [redacted]

■ [redacted]

■ [redacted]

■ [redacted]

■ [redacted]

27 **note** that Cabinet will receive further detailed information on these costs, and a funding proposal, in March 2022, as part of the final consideration of whether to implement the proposed income insurance scheme;

28 **note** that, after May 2023, the scheme is expected to be largely self-financing;

### *Legislative implications*

29 **note** that subject to the approval of recommendation 19, ACC will begin pre-implementation work in accordance with current legislation;

30 **note** that further operational work required in order to meet a May 2023 implementation date would require an amendment to the Accident Compensation Act 2001;

31 **agree** to draft the Income Insurance Scheme Enabling Bill (the Bill) to enable ACC to develop operational requirements for a new income insurance scheme;

32 **note** that the Bill will enable ACC to develop the operational requirements for a new income insurance scheme. Including:

- hiring staff to design the system and operating protocols for claims acceptance, management and risk assurance
- reconfiguring its internal governance and organisational arrangements to provide for a new income insurance scheme
- initiating the IT build involving procuring, contracting overseeing and testing the overall IT build;

33 **note** that an appropriation will be required to fund ACC's income insurance implementation costs, that there will be a report back to Cabinet on the

implementation costs, and that funding for implementation is likely to be sought through Budget 2022;

- 34 **approve** the inclusion of the Bill in the 2021 Legislation Programme, with a priority 5, where drafting instructions must be provided to the Parliamentary Counsel Office in the year;
- 35 **authorise** the Minister of Finance to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above recommendations to enable ACC to develop operational requirements for a new income insurance scheme;
- 36 **authorise** the Minister of Finance to make decisions and approve matters of detail, consistent with the policy proposals in these recommendations, on any issues that arise in the course of drafting the Bill;
- 37 **note** that drafting instructions will be provided to the Parliamentary Counsel Office by 1 October 2021;
- 38 **note** that the Bill should be passed no later than March 2022 to meet a May 2023 implementation date; and

*Next steps*

- 39 **agree** that the Minister of Finance, Minister for Social Development and Employment and Minister for Workplace Relations and Safety report back to Cabinet in March 2022 with the outcome of public consultation and proposal for the next steps of the work.