



COVERSHEET

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

List of documents that have been proactively released

Date	Title	Author
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 <i>Minute</i>	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.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

An Income Insurance Scheme for New Zealand Workers: Release of Discussion Document

Portfolios Finance / Social Development and Employment / Workplace Relations and Safety

On 29 September 2021, the Cabinet Economic Development Committee (DEV):

Consulting on a social insurance scheme

- 1 **noted** 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, and noted that the Minister of Finance will report back to DEV prior to its release [CAB-21-MIN-0069];
- 2 **noted** that work to date has indicated that establishing an income insurance scheme is viable and 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 **noted** the contents of the discussion document *An Income Insurance Scheme for New Zealand Workers* (the discussion document), attached to the paper under DEV-21-SUB-0198, which proposes a new insurance scheme for the purposes of public consultation;
- 4 **noted** that on 23 September 2021, the Future of Work Forum discussed the proposals outlined in the discussion document for the purpose of public consultation, and agreed that they be referred to Cabinet for agreement;
- 5 **agreed** to undertake public consultation on the proposal to introduce a social income insurance scheme in New Zealand, as outlined in the discussion document, subject to any minor and editorial changes that may be required;
- 6 **authorised** the Minister of Finance, the Minister for Social Development and Employment and the Minister for Workplace Relations and Safety (Joint Ministers) to agree to the timing of release of the discussion document;
- 7 **authorised** Joint Ministers to make any 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 **noted** 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 **noted** that the project’s resource needs are increasing, and that there is limited scope to reprioritise further either within the project, or to trade-off other projects;
- 10 **noted** that the next phase of work, through to a Cabinet decision in March 2022 on whether to implement the scheme, involves:
 - 10.1 further policy development;
 - 10.2 public consultation, legislation to enable the Accident Compensation Corporation (ACC) to begin implementation; and
 - 10.3 budget advice to secure resources for the implementation phase and out-years;
- 11 **noted** that completing this work has a total cost of around \$2 million through to March 2022;
- 12 **agreed** 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 **approved** 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	2.000	-	-	-	-

- 14 **agreed** that the 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 **agreed** that the expenses noted under paragraph 13 above (\$2 million) 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 **noted** that a significant programme of work is required to enable the ACC 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 **noted** that this pre-implementation work, through to a Cabinet decision in March 2022 on whether to implement the scheme, involves:

17.1 service, process, organisational, and technological design;

17.2 costing; and

17.3 programme management;

18 Confidential advice to Government

19 **directed** the ACC to complete the pre-implementation work described in paragraph 17 above;

20 **noted** 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 **agreed** 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 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 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)	5.200	-	-	-	-

23 **agreed** that the 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 **agreed** that the pre-implementation work noted under paragraph 22 above be charged against the between-Budget contingency established as part of Budget 2021;

Project funding beyond March 2022

■ Confidential advice to Government [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

■ [Redacted]

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

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

Legislative implications

29 **noted** that ACC will begin pre-implementation work in accordance with current legislation;

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

- 32 **noted** that the Bill will enable ACC to develop the operational requirements for a new income insurance scheme, including:
- 32.1 hiring staff to design the system and operating protocols for claims acceptance, management and risk assurance;
 - 32.2 reconfiguring its internal governance and organisational arrangements to provide for a new income insurance scheme;
 - 32.3 initiating the IT build involving procuring, contracting, overseeing and testing the overall IT build;
- 33 **noted** 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 **approved** the inclusion of the Bill on the 2021 Legislation Programme, with a category 5 priority (drafting instructions to be provided to PCO in 2021);
- 35 **authorised** the Minister of Finance to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above proposals to enable ACC to develop operational requirements for a new income insurance scheme;
- 36 **authorised** the Minister of Finance to make decisions and approve matters of detail, consistent with the above policy proposals, on any issues that arise in the course of drafting the Bill;
- 37 **noted** that drafting instructions will be provided to the Parliamentary Counsel Office by 1 October 2021;
- 38 **noted** that the Bill should be passed no later than March 2022 to meet a May 2023 implementation date;

Next steps

- 39 **invited** Joint Ministers to report back to DEV in March 2022 with the outcome of public consultation and proposals for the next steps of the work.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods
Hon David Parker
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Kris Faafoi
Hon Willie Jackson
Hon Michael Wood
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene, MP
Deborah Russell, MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV