



## COVERSHEET

<b>Minister</b>	Hon Grant Robertson	<b>Portfolio</b>	Finance
<b>Title of Cabinet paper</b>	Cabinet Paper 1: New Zealand Income Insurance – Agreement to Proceed	<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>
June 2022	Cabinet Paper 1: New Zealand Income Insurance – Agreement to Proceed	Office of the Minister of Finance
29 June 2022	New Zealand Income Insurance: Agreement to Proceed DEV-22-MIN-0156 Minute	Cabinet Office

### Information redacted

YES / NO [select one]

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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.*

### New Zealand Income Insurance: Agreement to Proceed

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

On 29 June 2022, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that, while the government has a range of reforms underway to improve labour market performance and access to training, there is still a large gap in the availability of financial assistance that effectively smooths incomes and mitigates large income drops, which can:
  - 1.1 constrain the opportunities for displaced workers to search for good jobs, to make use of employment services, or to retrain and upskill – increasing the risk that workers take jobs that make poor use of their skills or potential;
  - 1.2 force disabled people and people with health conditions to make a trade-off between their health ability to earn, even if this compromises their longer-term health and employment prospects;
- 2 **noted** that on 15 March 2021, Cabinet agreed that the government would work with business and union representatives to design a social unemployment insurance scheme to address these problems [CAB-21-MIN-0069];
- 3 **noted** that on 29 September 2021, DEV agreed to undertake public consultation on the proposal to introduce a social income insurance scheme in New Zealand [DEV-21-MIN-0198];
- 4 **noted** that public engagement indicated a range of views about the best mechanism to enhance the financial support available to people losing work;
- 5 **noted** that an income insurance scheme would:
  - 5.1 reduce the impact of sudden large income losses, minimising the immediate financial impact of losing income and work;
  - 5.2 provide a sufficient opportunity for workers to engage in a considered search for a good job, to upskill, or rehabilitate;
  - 5.3 better maintain consumer spending through economic shocks and downturns, and keep people connected to their employers;

- 6 **noted** that, whilst there are a range of mechanisms to fill this gap, income insurance has clear benefits over the alternatives in meeting these objectives;
- 7 **agreed** to introduce New Zealand Income Insurance;
- 8 **noted** that the accompanying paper *New Zealand Income Insurance: Detailed Scheme Design*, under DEV-22-SUB-0157, sets out the proposed design of the scheme;
- 9 **noted** that the income insurance scheme based on the design set out in the accompanying paper would cost approximately \$3.54 billion per annum based on 2018 data, funded through a levy estimated at 2.77 percent of wages and salaries;
- 10 **noted** that the introduction of the scheme will have flow-on implications that will impact the Crown's overall expenses and revenues, estimated to be a net cost of \$215 million per annum (depending on policy decisions), as well as impacting other Crown-funded services, regulatory systems, and contracts;
- 11 **noted** that:
- 11.1 the New Zealand Income Insurance Bill has a category 4 priority on the 2022 Legislation Programme (to be referred to a select committee in 2022);
- 11.2 the Bill is expected to be introduced in December 2022, to be passed by July 2023.

Janine Harvey  
Committee Secretary

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**Present:**

Hon Grant Robertson (Chair)  
Hon Carmel Sepuloni  
Hon Stuart Nash  
Hon Michael Wood  
Hon Kiri Allan  
Hon Dr David Clark  
Hon Priyanca Radhakrishnan  
Hon Meka Whaitiri  
Hon Kieran McAnulty  
Hon Phil Twyford  
Rino Tirikatene, MP  
Dr Deborah Russell, MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV