



## BRIEFING

### New Zealand Income Insurance – Draft Cabinet Papers for Ministerial Consultation

<b>Date:</b>	16 June 2022	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2122-4886

Action sought		
	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<b>Agree</b> to circulate the attached draft Cabinet papers to ministerial colleagues for consultation	16 June 2022

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Francis van der Krogt	Acting Manager, Income Insurance Policy	Privacy of natural persons	✓
Ben Loughrey-Webb	Principal Policy Advisor, Income Insurance Policy		

**The following departments/agencies have been consulted**

The ministries of Social Development, Health, Education, Justice, Primary Industries, Women, Pacific Peoples, Ethnic Communities, the Accident Compensation Corporation, the Treasury, Inland Revenue, Public Service Commission, Te Arawhiti, and the offices for Disability Issues and Seniors were consulted on the attached Cabinet papers. The Department of Prime Minister and Cabinet and the Parliamentary Counsel Office were informed.

**Minister's office to complete:**

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

**Comments**



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#### Purpose

To provide you with draft Cabinet papers for ministerial consultation, prior to consideration by the Cabinet Economic Development Committee on 29 June 2022.

#### Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

1. **Note** that officials have drafted two papers seeking Cabinet's agreement to introduce a New Zealand Income Insurance scheme, and the design of the scheme, which reflect the Social Unemployment Insurance Governance Group's recent decisions

*Noted*

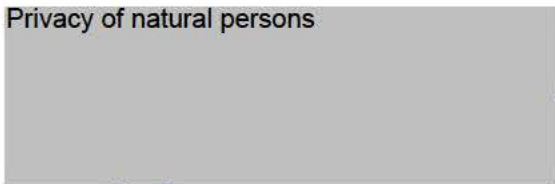
2. **Note** that the Cabinet papers are intended to be lodged on 23 June 2022 for consideration by the Cabinet Economic Development Committee on 29 June, and Cabinet on 4 July

*Noted*

3. **Agree** to circulate the attached draft Cabinet papers to ministerial colleagues for consultation, for feedback by 21 June 2022

*Agree / Disagree*

Privacy of natural persons



Francis van der Krogt  
**Acting Manager, Income Insurance Policy**  
MBIE

16.06.22

Hon Grant Robertson  
**Minister of Finance**

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## **Officials have drafted papers seeking Cabinet’s agreement to introduce the New Zealand Income Insurance Scheme**

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1. On 4 October 2021, Cabinet agreed to consult on a proposed income insurance scheme via a discussion document, and targeted engagement [CAB-21-MIN-0397 refers]. Consultation closed on 26 April 2022.
2. Following the end of consultation, and continuing analysis, officials have drafted two Cabinet papers:
  - a. *Cabinet Paper 1: Agreement to Proceed*, seeking agreement to introduce New Zealand Income Insurance (NZII), and
  - b. *Cabinet Paper 2: Detailed Scheme Design*, seeking agreement to NZII’s design. This includes a summary of the scheme’s setting in Appendix A of the paper.
3. The Ministries of Social Development, Health, Education, Justice, Primary Industries, Women, Pacific Peoples, Ethnic Communities, the Accident Compensation Corporation (ACC), the Treasury, Inland Revenue, Public Service Commission, Te Arawhiti, and the Offices for Disability Issues and Seniors were consulted on the draft papers.
4. Reflecting the significance of the proposal, and the number of decisions required, the papers are lengthy. We therefore propose to edit them to reduce their length while ministerial consultation is underway, though without affecting the decisions sought from Cabinet.
5. Work is also continuing on regulatory impact statements on the proposal to introduce New Zealand Income Insurance, and on the scheme’s design.

## **Feedback from the Social Unemployment Insurance Group has been incorporated into the draft Cabinet papers**

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6. On 13 June 2022, SUIGG met to consider the remaining policy issues for the scheme. SUIGG largely confirmed the scheme’s proposed policy settings and requested further advice on:
  - a. coverage for self-employed people, and
  - b. whether a step-down in replacement rate would reduce scheme costs, which could either lower the overall levy rate (for employers and workers) or offset the cost of a progressive levy structure.
7. We understand your preferred approach is to seek Cabinet’s agreement to the scheme’s proposed design in late June, while work continues on these remaining issues.
8. The Cabinet papers propose agreement to the 80% flat replacement rate, and flat levy structure, subject to any further proposals subsequently brought to Cabinet.
9. The Cabinet papers note Ministers’ preference to include those self-employed with characteristics similar to employees, but do not propose any specific settings for agreement at this stage. Decisions on coverage of the self-employed could follow further advice.

10. The Cabinet papers propose that joint ministers<sup>1</sup> report back to Cabinet by October 2022 on the inclusion of self-employed workers and other issues as required.
11. ACC are providing you with further advice on options for the commencement of the scheme. The Cabinet papers do not refer to a proposed commencement date.

## **We propose that you circulate the draft Cabinet papers for Ministerial consultation for feedback by 21 June**

12. We propose that you circulate the papers to your ministerial colleagues, for feedback by 21 June. The table below sets out the timeframes for progressing the Cabinet papers:

<b>Deliverable</b>	<b>Date</b>
Ministerial consultation ends	21 June
Cabinet paper Lodgement	23 June
Considered by the Cabinet Economic Development Committee (DEV Committee)	29 June
Considered by Cabinet	4 July

13. You are also meeting with the Pou Tangata Iwi Leaders Co-Chairs on 21 June 2022, 9am-9.30am. This meeting is an opportunity to discuss with Pou Tangata their perspectives on the income insurance proposal ahead of the DEV Committee meeting.

<sup>1</sup> The Ministers of Finance, Social Development and Employment, ACC, Revenue, and Workplace Relations and Safety.

## **Annex**

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Annex One: Draft Cabinet papers for consultation

