



## AIDE MEMOIRE

### NZ Income Insurance – further thinking on remaining design issues

<b>Date:</b>	14 December 2021	<b>Priority:</b>	Low
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2122-1789

Information for Ministers	Deadline
Rt Hon Jacinda Ardern <b>Prime Minister</b>	31 January 2022
Hon Grant Robertson <b>Minister of Finance</b>	
Hon Chris Hipkins <b>Minister of Education</b>	
Hon Carmel Sepuloni <b>Minister for Social Development and Employment</b>	
Hon David Parker <b>Minister of Revenue</b>	
Hon Stuart Nash <b>Minister for Economic and Regional Development</b>	
Hon Michael Wood <b>Minister for Workplace Relations and Safety</b>	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Jivan Grewal	Policy Director, Employment, Skills and Immigration Policy	Privacy of natural persons	✓
Francis van der Krogt	Team Leader, Social Unemployment Insurance Working Group		

The following departments/agencies have been consulted
ACC, DPMC, IRD, MSD, The Treasury

Minister's office to complete:

Noted

Overtaken by Events

Approved

Needs change

See Minister's Notes

Declined

Seen

Withdrawn

**Comment**



## AIDE MEMOIRE

### NZ Income Insurance – further thinking on remaining design issues

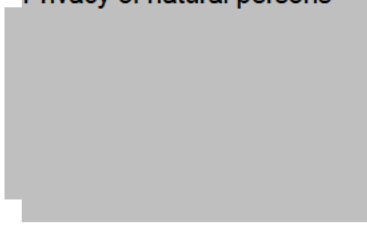
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### Purpose

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1. The purpose of the attached paper is to present thinking on some of the remaining design issues for the New Zealand Income Insurance Scheme, for the Social Unemployment Insurance Governance Group (SUIGG) to consider at a meeting in the New Year. The paper takes an exploratory approach to the issues and seeks to enable the SUIGG to discuss choices.
2. We will work with your offices to arrange a SUIGG meeting to discuss this paper, and wider aspects of the New Zealand Income Insurance project. These include the public engagement, the process to confirm the scheme's design, and the subsequent legislative and implementation phases.

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Francis van der Krogt  
**Team Leader, Social Unemployment Insurance Working Group**  
Labour, Science and Enterprise, MBIE

14 / 12 / 2021

# Annex

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Briefing to the SUIGG: New Zealand Income Insurance – further thinking on remaining design issues

## IN CONFIDENCE

**To:** Social Unemployment Insurance Governance Group

**From:** Social Unemployment Insurance Working Group

**Date:** 14 December 2021

**Briefing:** New Zealand Income Insurance – further thinking on remaining design issues

### **Purpose**

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1. This briefing presents further thinking on remaining design issues for the New Zealand Income Insurance Scheme.

### **Executive summary**

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2. The discussion document agreed by the Future of Work Tripartite Forum and Cabinet presents the main design features for the New Zealand Income Insurance Scheme. With the design of the scheme substantially complete, the remaining choices relate largely to matters of detailed design, building on the established proposal and the principles the Forum has agreed.
3. While most of the key issues have been resolved in the discussion document, there are some outstanding decisions that warrant further attention. This paper presents further thinking on these issues, for the Governance Group to consider at a meeting in the New Year. The paper takes an exploratory approach. The focus is on understanding the issues, and identifying and commenting on options, rather than proposing preferred options.

### **Further policy choices for New Zealand Income Insurance**

#### *How to cover self-employment*

4. The discussion document presents four options for self-employment for feedback, and notes that the Better Protections for Contractors (BP4C) Working Group's findings would inform further thinking. The emerging BP4C Working Group proposal would define the employee / self-employed boundary more clearly. This could make Option 1 (exclude all self-employed workers) more effective at balancing coverage with operability, with Option 3 (cover contractors with five or fewer clients) less effective, but still feasible. Option 2 remains mandatory coverage for all self-employed, and Option 4 provides a separate, opt-in scheme. Should Option 1 be preferred, we are also exploring a 'call-in' approach to enable coverage of dependant contractors who otherwise are unlikely to be covered.

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### *How to cover fixed-term employment and casual employment*

5. The proposed design covers fixed-term employees for early contract termination, and covers loss of other fixed-term, seasonal and casual work where there is a regular pattern of work and a reasonable expectation of future income. There are choices in how to define 'regular pattern' and 'reasonable expectation'.
6. Covering only the more explicit expectations of future work narrows coverage. Covering more implicit expectations broadens coverage, such as situations where a person has worked for successive seasons with one employer. Coverage where the expectation is more implicit is more complex and time-intensive to enforce.
7. The scheme would seek to cover those 'casual workers' whom the courts could deem permanent part-time employees, but there is a choice whether to cover employees who have a regular pattern of work and a reasonable expectation of future income, and yet can choose to decline work, and whose employers are not obliged to offer them work (ie they are 'genuine' casuals). Defining the 'trigger' for entitlement in these cases is difficult, but it could be limited to force majeure causes outside the control of workers and employers. Defining a regular pattern of work and expectation of future income is also difficult for this group. The Holidays Act approach to defining employees' eligibility for sick leave could provide part of the answer.<sup>1</sup>
8. Making all casual workers and their employers pay levies would help to avoid incentivising casual employment, but mean at least some casual employees contribute, but do not benefit because they lack a regular pattern of work. This would create a situation where many casual workers have no prospect of claiming under the scheme for their casual work, as distinct from permanent employees who have the security of knowing they *would* be eligible for the scheme if they were made redundant. This is balanced to a certain extent by a casual worker's contributions being relevant if they were to move into another, more permanent, working arrangement and were then made redundant. Casual workers are more likely to be lower-income and vulnerable workers.

### *How to design tripartite governance & ensure Māori representation*

9. There is a range of complementary options for providing tripartite governance and ensuring Māori representation. These include mandated requirements for worker and employer representation in board membership; other options for board involvement (such as board appointment guidance, board sub-committees, and advisory groups); continued oversight through the Tripartite Forum; and mechanisms for Māori and social partners to influence performance expectations and operations.

### *How to make bridging payments and grant refunds*

10. While employers would be liable for the proposed bridging payments, the scheme could play a greater or lesser role in administering bridging payments: employers could pay (former) employees directly, with the scheme providing a payment calculator; or the scheme could determine the bridging payment amount, with the employer still

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<sup>1</sup> The Holidays Act entitles casual workers to sick leave when they have worked for an employer for six months, with an average of 10 hours per week, and at least one hour in every week or 40 hours in every month.

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paying the employee directly; or the scheme could pay the employee directly and recover the costs.

11. The latter option guarantees the employee is paid but creates additional complications for the scheme. Under this option, the scheme would also make bridging payments to those workers not eligible for insurance payments and recover costs from their employers.
12. The discussion document also proposes a bridging payment refund for those employers who assist their displaced workers to secure new work successfully. Where employers seek refunds, the scheme could set a relatively higher or lower standard to qualify for the refund. A higher standard would effectively target refunds – but would be administratively complex, and burdensome for employers. A lower standard avoids this problem, but does little to influence employer behaviour, at substantial cost through permitting a large number of refunds. Another option is to authorise (through legislation) a broad refund (or incentive) policy for the ACC to trial once there is greater understanding of employer and employee behaviour.
13. The discussion document also proposes bridging payments where employers dismiss New Zealand Income Insurance claimants on medical grounds. This raises questions about whether the payment should be available to all employees dismissed on medical grounds, such as people who lose work due the effects of injuries (ACC claimants), or people not eligible for New Zealand Income Insurance (such as temporary migrants, or people who do not meet the employment history requirements). The SUIGG may wish to consider extending eligibility for the medical dismissal bridging payment to these groups, or whether to remove the medical dismissal bridging payment from the New Zealand Income Insurance design.

### **Other issues under consideration**

14. This paper also provides a brief comment on a number of other policy issues related to coverage, entitlements, obligations, taxation, impacts on low-income workers, and administration.

## Recommendations

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The Social Unemployment Insurance Working Group recommends that you:

1. **Note** that this briefing presents further thinking on remaining New Zealand Income Insurance design issues

*Noted*

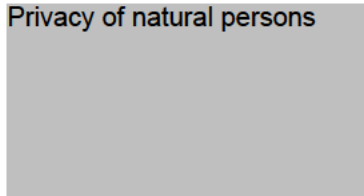
2. **Meet** with the Working Group in the New Year to discuss this paper, and

*Agreed*

3. **Note** that it may be useful to discuss this paper before the launch of the discussion document.

*Noted*

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Francis van der Krogt  
**Team Leader, Social Unemployment Insurance Working Group**

14 / 12 / 2021

Hon Grant Robertson  
**Minister of Finance**

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Hon Chris Hipkins  
**Minister of Education**

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Hon Carmel Sepuloni  
**Minister for Social Development and  
Employment**

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Hon David Parker  
**Minister of Revenue**

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Hon Stuart Nash  
**Minister for Economic and Regional  
Development**

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Hon Michael Wood  
**Minister for Workplace Relations and  
Safety**

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**IN CONFIDENCE**

Richard Wagstaff  
**President, New Zealand Council of Trade  
Unions**

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Kirk Hope  
**Chief Executive, Business New Zealand**

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## Context

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15. The discussion document agreed by the Future of Work Tripartite Forum and Cabinet presents the main design features for the New Zealand Income Insurance Scheme. These include coverage settings for displacement and for health conditions and disabilities, scheme entitlements, obligations, delivery arrangements, and financing.
16. With the design of the scheme substantially complete, the remaining choices relate largely to matters of further detail, drawing on design principles the Forum has agreed. For example, the Forum has agreed to cover the loss of employment where there is a regular pattern of work and a reasonable expectation of future income. There are choices in how to define 'regular pattern' and 'reasonable expectation'.
17. This paper focusses on:
  - how to cover self-employment, fixed-term employment and casual employment,
  - how to design tripartite governance and ensure Māori representation, and
  - how to make bridging payments and grant refunds.
18. This paper also provides a brief comment on a number of other policy issues related to coverage, entitlements, obligations, taxation, impacts on low-income workers, and administration.

## How to cover self-employment

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19. The self-employed are a large and diverse group in New Zealand's workforce. There are approximately 355,000 self-employed without employees, and an additional 154,000 self-employed with employees.
20. The group is also diverse, including highly dependent contractors who resemble employees, through to sole traders operating businesses or entrepreneurs with employees. Drawing boundaries between these groups is not easy.

### **Better Protections for Contractors Working Group advice**

21. The discussion document presents four options for self-employment coverage, for feedback, and notes that the Better Protections for Contractors (BP4C) Working Group's findings would inform further thinking.
22. That report-back is now well formed and we know more about the intended approach of that working group. This is directly relevant to how New Zealand Income Insurance could cover self-employment.
23. The BP4C Working Group's preferred approach is to define better the boundary between employees and self-employed, rather than define a new category of dependent contractor. The BP4C Working Group intends to recommend that the Government:
  - a. make the employee/contractor distinction clearer and more enforceable, through a clearer statutory position on what does and does not constitute employment – this would be achieved through legislation;

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- b. give no further consideration to creating a third category of worker (dependent contractor); and
- c. mitigate the power imbalances that exist within certain contractor/principal (business-to-business) relationships, without seeking to characterise those relationships as employment relationships.

### Revisiting the options for covering self-employment

24. With these proposals in mind, the Social Insurance Working Group has further developed the options for covering the self-employed for economic displacement. In all cases, the discussion document proposes that the self-employed are included compulsorily for coverage of a health condition or disability. The four options for economic displacement are as follows:

**Option 1:** Exclude self-employed / only cover employees (using the BP4C clearer definition of employees).

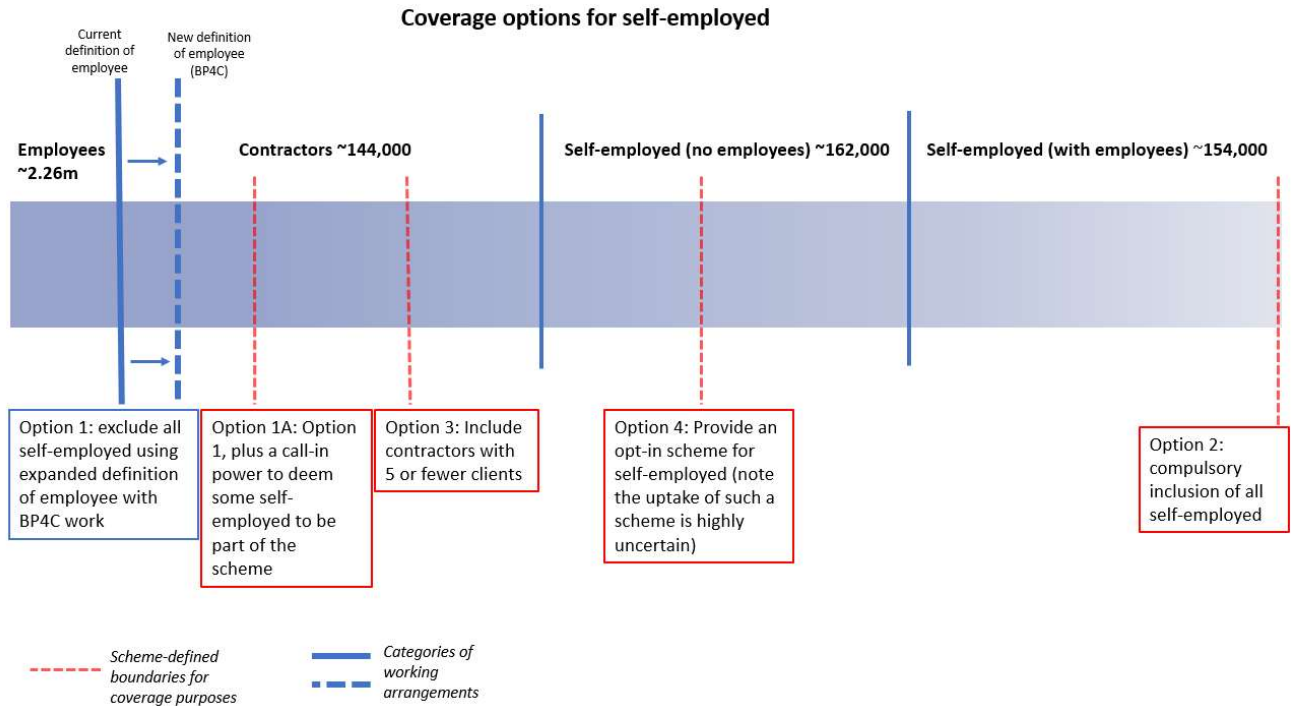
**Option 1A:** A 'call in' function could be added to Option 1, allowing the Government to maintain a schedule of professions, employers, or job types that are 'called-in' to the scheme even though they are technically self-employed. Applied to app-based workers (eg Uber), the schedule could define an app-based worker, how their levies are paid and collected, and the trigger event for entry into the scheme.

**Option 2:** Cover all self-employed compulsorily.

**Option 3:** Compulsorily include only those self-employed who depend on five or fewer clients.

**Option 4:** Establish a separate, opt-in scheme for the self-employed.

25. The BP4C Working Group's approach will effectively increase the number of employees relative to self-employed by correctly classifying some of those who are currently self-employed to become employees. This means that Option 1 will now automatically cover some of those vulnerable contractors who resemble employees that Option 3 was intended to cover, although not all.
26. The BP4C approach also makes it more difficult for the scheme to adopt a de facto 'dependent contractor' category of worker (represented by Option 3), because such a category would be scheme-specific rather than backed by changes to employment legislation. Further, by providing a clearer boundary in legislation for employees compared to self-employed, the BP4C approach means there would be less chance of a deliberate reclassification of workers from employees to self-employed for the purposes of avoiding the New Zealand Income Insurance levy.
27. In effect, these changes mean that Option 1 may be relatively more effective at managing risks, with Option 3 (five or fewer clients) relatively less effective, but still a feasible option. The coverage of these options is shown in the diagram below, which also breaks down the self-employed workforce into contractors, other self-employed, and self-employed with employees. Option 1, on the left of the diagram, has the lowest level of compulsory coverage, and Option 2 has the highest level of compulsory coverage.



28. The options above represent a trade-off between degrees of coverage and scheme complexity. As more self-employed are covered, the scheme must make determinations on eligibility which require more discretion (and risk of gaming). Greater coverage does, however, come with additional benefits, as greater coverage means the scheme would not incentivise self-employment, and provides a wider levy base for the scheme (with economies of scale).
29. The Working Group has considered how best to achieve the objectives of the scheme while limiting the complexity and gaming risk of covering self-employed. A ‘call-in’ function (Option 1A) is one way to mitigate this risk, by allowing the Government and the scheme the flexibility to identify groups of self-employed workers that the scheme will cover. While this adds complexity (such a ‘schedule’ would need to identify how the levy will be collected, and what the trigger is for entry into the scheme), it is an option that can be enabled in legislation, changed through regulation, and used over time as the scheme matures.
30. Alternatively, if SUIGG prefers to cover the self-employed (either compulsorily or through opt-in), the two critical factors to resolve are the triggering event for eligibility (an equivalent to a no-fault job loss), and the standard of evidence required to prove the triggering event has occurred.
31. The evidence required to determine whether that standard has been met is much more complex for self-employed than it is for regular employees. Reaching a determination on whether the standard has been met will require a correspondingly greater level of expertise (to understand the nature of self-employment), investigative ability (to require further information, some of which may not come from the applicant) and judgment (the ability to form a view in the presence of complex and potentially conflicting evidence).
32. One way to deliver such a function would be to use third-party providers, similar to how medical practitioners certify a health condition or disability. It is not yet clear what

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expertise best fits this profile, but one option may be licensed insolvency practitioners. Alternatively, this could be maintained within ACC as a specialist function.

33. Annex 1 summarises these choices.

## How to cover fixed-term employment

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34. A fixed-term (temporary) employee's employment ends on a specified date or when a particular event occurs. The Employment Relations Act permits fixed-term employment agreements where there are genuine business reasons based on reasonable grounds for the fixed term. Seasonal employment is generally a type of fixed-term employment where the employment agreement says that the work will finish at the end of the season, although some seasonal contracts will provide an indicative end-date.
35. Fixed-term and seasonal workers make up a small proportion of the workforce (49,000 and 22,200 workers respectively). Furthermore, many seasonal workers are likely to be on particular types of work visas which prevent them from being eligible for the scheme (this includes Working Holiday and Recognised Seasonal Employer visa holders).

### For health conditions or disabilities

36. Coverage of fixed-term and seasonal workers for job loss or reduced work capacity due to a health condition or disability (HCD) is relatively simple because it relies on a third party certifying that the reduction of income is due to HCD. This is especially simple where the worker can no longer complete a fixed-term or seasonal contract they had already commenced or signed. Coverage in these cases would be to the stated end of the contract.
37. It is also possible to cover workers where there was a reasonable expectation of future work, but the HCD prevents them from undertaking that work. In these cases, the worker would be entitled to New Zealand Income Insurance payments only for the period of time they expected to work. For instance, if a regular seasonal worker developed a health condition in November, before the season was due to commence on 1 January, and the health condition lasts until 31 March, they would be eligible for New Zealand Income Insurance payments for a three-month period if:
  - a. they can prove they had a regular pattern of seasonal work (ACC uses two consecutive seasons as their benchmark), and
  - b. the employer would have employed them if it were not for the health condition preventing them from working. This is similar to the approach currently applied by ACC when an injury occurs between seasonal jobs.

### For economic displacement

38. Insurance coverage for the early termination of fixed-term employment is generally straightforward, especially where there is an employment agreement with a clear end-date. Any non-performance related termination before the end-date would be treated as a redundancy, with the entitlement running for the balance of the agreement, or six months, whichever is shorter.
39. Some fixed-term employment, however, may be more akin to permanent employment, where there is a reasonable expectation of work beyond the end of the fixed-term. This could be an expectation of work some months in the future, as is common with seasonal work. This means that insurance payments could be triggered when employment is not offered despite a reasonable expectation of employment.

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40. The key question is what is deemed to be a reasonable expectation of employment. The Working Group has identified the following examples of a reasonable expectation, ranging from explicit offers of employment, to more implicit offers:

<b>Examples of a reasonable expectation of future work (from explicit to implicit expectations)</b>	<b>Example triggering events for economic displacement</b>
<ul style="list-style-type: none"> <li>• The employee has a fixed-term agreement with a defined end-date</li> </ul>	<ul style="list-style-type: none"> <li>• Employer ends the agreement before its scheduled end-date (or becomes insolvent)</li> </ul>
<ul style="list-style-type: none"> <li>• A succession of engagements with one employer, with no (or little) gap between them, suggesting there is no real business need for a fixed term (in these cases the Courts are likely to find there is a permanent employment relationship)</li> </ul>	<ul style="list-style-type: none"> <li>• Employer does not offer work at the end of a fixed-term agreement</li> </ul>
<ul style="list-style-type: none"> <li>• A signed agreement for at least one engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Force majeure (eg weather event) prevents the contract from commencing</li> </ul>
<ul style="list-style-type: none"> <li>• A pattern of prior engagements with one employer (for instance ACC's use of two consecutive seasons with the same employer)</li> <li>• A first right of refusal agreement for future contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Employer insolvency between seasons</li> <li>• Employer does not offer work, breaking an established pattern</li> </ul>
<ul style="list-style-type: none"> <li>• A pattern with several employers</li> </ul>	<ul style="list-style-type: none"> <li>• Force majeure (eg weather event) means a number of employers (eg of a particular type of crop in a region) are unable to offer work</li> </ul>

41. Covering only the more explicit circumstances will lead to narrower coverage. Coverage of all these circumstances will lead to broader coverage.
42. Broader coverage will better achieve the intentions of the scheme while being more complex to implement and administer. Broader coverage costs more than narrower coverage, both in terms of the number of claims being eligible, and in terms of the administrative cost per applicant. We do not, however, expect these costs to materially impact our levy modelling.
43. Further work is underway with the Ministry of Primary Industries to understand the quantum of seasonal workers who would be covered under the various options, for instance how many workers are affected by force majeure events, and the prevalence of other forms of premature contract termination.

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44. These options would all have second-order impacts on how contracts are structured, and further work is underway to understand how each option might affect different workforces, particularly in primary industries.

### **Notice period and bridging payment in cases of short-term contracts**

45. The Working Group has considered the impact of the four-week notice and bridging period on short-term contracts and whether these requirements would have a net detrimental impact on the labour market.
46. There are three broad options to consider (discussed further in Annex Two):
  - a. Apply the current four-week notice and bridging period to contracts of all lengths.
  - b. 'Pro-rate' the notice and bridging period according to the total contract length (from the creation of the contract). For example, a 1-3 month fixed-term arrangement may only require a two-week notice and two-week bridging period.
  - c. Scale the notice and bridging period according to the length of time remaining in a contract. For example, with three weeks left in a contract, an employer may be obliged to provide one week of notice, one week of bridging, and the worker enters the New Zealand Income Insurance scheme for the remaining week of the fixed term.

## How to cover casual employment

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47. The discussion document proposes that the scheme cover:
  - a. **misclassified** casual employees (if they sought a determination from the Courts, they would be considered permanent part-time employees), and
  - b. other casual workers who may not be misclassified but nonetheless have a **regular pattern of work** and a **reasonable expectation of future income**. (workers in this group can choose to decline offers of work, and their employers are not obliged to offer them work.)
48. The scheme would not cover those casual workers with no regular pattern of work, and no expectation of future income.
49. The scheme would not need to make a formal or legal determination about whether a worker is misclassified or not. That power would remain with the Courts and the decision by the scheme would not prejudice a later decision by the Courts. Any decision by the scheme would be appealable by the employer or the worker.

### Determining eligibility for New Zealand Income Insurance

50. Determining eligibility would require confirming:
  - the worker had a pattern of work and reasonable expectation of future income, and
  - the worker experienced a break in that pattern (a displacement event).
51. There is no well-established definition of 'pattern of work and reasonable expectation of future income'. One option is to adopt an approach used in the Holidays Act for determining when a casual worker may be eligible for sick leave. The Holidays Act entitles casual workers to sick leave when they have worked for an employer for six months, with an average of 10 hours per week, and at least one hour in every week or 40 hours in every month.
52. This test could be further adapted to allow a casual worker to meet the threshold across multiple employers and potentially across multiple seasons.
53. The tests applied by the Courts when determining the real nature of an employment relationship may also be useful. These include whether there is a mutual expectation of continuity of employment, whether work is allocated in advance by a roster, and whether the employer requires notice before an employee is absent or on leave.
54. To determine whether a displacement event had occurred, a worker would need to demonstrate that an interruption of work was unexpected (eg not simply the expected end of a busy period), no-fault (not relating to the performance of the worker), and that the work would not resume of its own accord in the near future.
55. The simplest qualifying triggers will be third party events that prevent further work (such as weather) or the closure of the employer. In either case, the insurer will need to determine that the worker was likely to receive work on an ongoing basis if it were not for the third-party event. The scheme could adopt ACC's approach, which relies largely on the employer's confirmation that they would have employed the worker if it were not for – in ACC's case – an injury.



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56. Many casual workers may be unaware they could be eligible for New Zealand Income Insurance payments, and so deliberate awareness-raising may be required to ensure that casual workers know when they should contact the scheme to determine their eligibility.

### **Notice periods and bridging payments**

57. Once a decision has been made about how to cover casual workers, further work may be required to develop settings for notice periods and bridging payments that take account of the complexities in these types of working arrangements.

### **Levying casual workers**

58. The scheme could levy all casual workers, or seek to levy only those who could become eligible for insurance payments.
59. Levying all casual employees is administratively simplest, for the scheme and for employers. This would also avoid the need to collect any levies retrospectively. This could otherwise occur in those situations where a casual employee becomes eligible for insurance, but no levies have been paid.
60. Levying casual workers will reduce their take-home income. The potential impacts for casual workers are particularly significant, since casual workers typically earn less than people in other working arrangements. This reflects both few hours worked and low wages. Other low-income working people are also likely to feel the effects of the levy.
61. Levying casual workers, but limiting the circumstances in which they can be eligible for income insurance, has equity implications. This is because it would create a situation where many casual workers have no prospect of claiming under the scheme for their casual work. This is distinct from permanent employees who have the security of knowing they would be eligible for the scheme if they were made redundant. This is balanced to a certain extent by a casual worker's contributions being relevant if they were to move into another, more permanent, working arrangement and were then made redundant. Casual workers are more likely to be lower-income and vulnerable workers.
62. To inform the recent policy thinking, the Working Group has engaged with the National Iwi Chairs' Forum Pou Tangata Skills and Employment Iwi Leaders Group (Skills and Employment Iwi Leaders Group).
63. Our discussions with the Skills and Employment Iwi Leaders Group have emphasised the importance of non-standard workers being able to access the scheme if they are to pay the levy.

## **How to design tripartite governance & ensure Māori representation**

64. The new scheme requires governance (and performance and monitoring) arrangements that:
  - promote high performance (including continuous improvement over time)
  - recognise Te Tiriti partnership responsibilities and social partner interests
  - avoid any adverse impacts on the governance and operation of the accident compensation scheme.
65. The discussion document notes the Forum's preference that ACC administer the scheme alongside, but separate to, the accident compensation scheme. The discussion document notes the importance of accountable and effective governance, with tripartite and Māori representation, but does not identify any governance options.
66. The New Zealand Income Insurance Bill will need to include provisions for governance, setting performance expectations and monitoring.
67. Employers and workers representatives have been involved in designing the scheme via the Tripartite Forum from the outset. The benefits of tripartite involvement in oversight are that it can provide for a continuing voice and influence in the evolution and calibration of the scheme by its principal stakeholders – employers and working people – and hence improved scheme outcomes.
68. The Working Group has also been discussing governance and delivery issues with the Skills and Employment Iwi Leaders Group.
69. The focus on governance, as well as Māori and tripartite involvement in it, is necessarily broader than the make-up of the ACC Board, including aspects of monitoring, evaluation and reporting, as well as organisational form.
70. In considering governance of the scheme, and Māori representation, SUIGG may wish to favour options that meet these design criteria:
  - clear accountability for scheme outcomes
  - independence
  - support trust in scheme
  - efficiency
  - support delivery of New Zealand Income Insurance scheme outcomes
  - support delivery of accident compensation scheme outcomes.
71. There is a range of complementary ways for employers and worker representatives to be represented and have an ongoing influence in the scheme.

### **Board involvement**

72. The New Zealand Income Insurance Bill could mandate Māori, worker and employer representation on the board.
73. Board members have a number of responsibilities. They are required to act in the best interests of the entity. They are liable for its actions and are ultimately responsible for its success. Board members are expected to supervise the business, though not to run it.

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74. A key consideration for board membership is ensuring the right mix of skills, with the following skills being particularly important: corporate governance, legal, finance / profit and loss management, audit and risk. Subject matter expertise relevant to the organisation is also important, such as investment, insurance and customer experience in the case of ACC. Given that a board is limited in size, including tripartite and Māori representation raises questions about how to rebalance the board to ensure both these needs are met.
75. There are other options for involvement in the board. The board appointment guidance to which Ministers must have regard could include Māori, employer and worker representation (amongst other specifications). This would help provide for representation of the perspectives of Māori, as well as workers and employers, alongside the skills mix required on the board.
76. The board could establish (or be legislatively required to establish) a sub-group responsible for New Zealand Income Insurance with Māori and/or social partner representation, potentially with delegation for certain decision-making. This would ensure representation in relation to some decisions about the scheme but may not span all relevant subject areas. For instance, organisation-wide governance decisions would not likely be made by a sub-group responsible only for New Zealand Income Insurance.
77. There could be a requirement to establish an advisory group to the board with Māori, and worker and employer representatives. This would have the advantage of allowing for input (if not decision-making) to board decisions, and it would not constrain the skills mix on the board.
78. Internationally, there is a range of tripartite models. Canada, for example, operates a tripartite Employment Insurance Commission, with a Commissioner for Workers, and a Commissioner for Employers. The Commissioners consult stakeholders and convey their concerns and positions regarding the administration of legislation, policy development and programme delivery.
79. International models provide examples of how tripartism can operate, though they may need adaptation for the New Zealand context.

### **Consultation obligations**

80. The policy outcomes sought by Māori, social partners, and other groups, could be promoted through ongoing Ministerial / policy agency liaison on a regular basis, and before significant decisions are made. This could be either through a formal mechanism (eg through legislated consultation requirements), or informally / as required.
81. Via legislation, ministerial letters of expectation, or memoranda of understanding, Māori and social partners could also be involved in aspects of performance monitoring and entity operations. Opportunities here include:
  - developing service agreement performance measures for levy payer stakeholder satisfaction, and
  - processes to recruit and appoint senior managers, or other specified roles.

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82. These forms of involvement enable Māori and social partner involvement in critical aspects of the scheme, while also allowing operational expertise to be applied appropriately within the business.

### **Other opportunities for representation and involvement**

83. There is also potential for aspects of the scheme, such as case management, to be delivered by providers specialising in support for particular groups of workers. For example, a provider could specialise in return-to-work support for disabled people.
84. For Māori, such an approach could create an opportunity for kaupapa Māori approaches to operate on a tino rangatiratanga or 'by Māori, for Māori' basis. The Pou Tangata Skills and Employment Iwi Leaders Group has signalled interest in discussing this type of initiative.
85. It is unlikely such a model could be available from 'day one' for New Zealand Income Insurance, but it could be something for the scheme to aspire to develop in the medium term and for primary legislation to allow for.

## **How to make bridging payments and grant refunds**

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86. The new scheme will place a range of obligations on employers, notably the obligation to pay all displaced workers a bridging payment equivalent to 80 percent of their lost wages or salary for four weeks. If an employer dismissed an employee on the grounds of medical incapacity, the same notice and bridging payment provisions would apply as for displacement. The key purpose of the bridging payment is to discourage avoidable or sham redundancies. The payment also effectively extends the period of financial support for eligible workers by one month.
87. Workers would receive the full bridging payment even if they secured new work within the first four weeks of losing their job. The discussion document proposes that employers could seek a refund of some of the bridging payment where they can show they assisted the former employee into new work. The aim here was to encourage employers to assist employees to find new work, given that they both understand the worker's skill set and are likely to be well placed to understand the likely opportunities for workers in that labour market.
88. The discussion document proposes that the bridging payment would be made by the employer as wages and treated as income for the purposes of taxation and calculating benefits. The bridging payment would be capped at 80 percent of salary up to \$130,911 in line with the income insurance and the accident compensation schemes. The bridging payment would not be subject to abatement for post-displacement earnings.
89. Since all workers, whether eligible for income insurance or not, would receive the bridging payment, it would effectively become a new employment standard. However, it would have close ties to the scheme – such as the 80 percent replacement rate.
90. The Working Group has considered a number of practical aspects of administering the bridging payment that the discussion document does not fully address.

### **Treating the bridging payment as a new employment standard, or as part of New Zealand Income Insurance**

91. The bridging payment could be treated as a new employment standard, or as part of the New Zealand Income Insurance scheme. In practical terms, the key choice is whether employers administer the bridging payment or the scheme administers it.
92. The first approach would see the bridging payment as part of the Employment Relations Act. The second approach would see the bridging payment as part of the New Zealand Income Insurance Act.
93. Under the first approach, employers would make the payment directly to their (former) employees. If the employer pays employees directly, there is still likely to be a role for the scheme in providing guidance (and perhaps a calculator tool) for employers to work out potential bridging payment amounts. However, employee disputes (eg about the timing or calculation of payments) would be pursued through the employment relations and standards system. In cases of non-payment by an employer, the costs and time involved in seeking a remedy will fall on the employee, and the employment relations dispute resolution system.

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94. A variation of this option would see the scheme calculate all bridging payments and confirm the value with employer and employee. However, this would create more administrative work for the scheme, including becoming involved in bridging payments for those who are not eligible for New Zealand Income Insurance. We note that in either case (where the bridging payment is designed as an employment standard), the scheme could step in and make payment to the employee in place of the employer – albeit that this is likely to involve some administrative complexity.
95. The second main approach is for the scheme to receive the bridging payment from the employer and pay the employee directly. However, this would require ACC to invoice employers (increasing scheme costs), create cash flow challenges (notably around both timing and bad debt), and involve ACC in paying the bridging payment to workers who do not qualify for New Zealand Income Insurance (a further increase of administration costs). If this option is preferred, it will be important to provide a clear distinction for employees between the scheme's role and other end-of-employment matters (eg holiday pay and the four-week notice period). Fundamentally, liability for those issues sits with the employer, and the employment relations and standards system is responsible for regulating employers' compliance.
96. The table below summarises these considerations.

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	<b>Bridging payment as an employment standard</b>	<b>Bridging payment as part of NZ Income Insurance</b>
<b>Coverage</b>	80% of wages for four weeks for all employees who are displaced (regardless of employment history or immigration status)	
<b>Legislation</b>	<ul style="list-style-type: none"> <li>• Employment Relations Act</li> </ul>	<ul style="list-style-type: none"> <li>• NZ Income Insurance Act</li> </ul>
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Employer pays workers directly, except in cases of insolvency</li> <li>• Income Insurance scheme would not be involved except potentially to confirm the assessed quantum of the payment</li> </ul>	<ul style="list-style-type: none"> <li>• ACC pays all employees who are made redundant a bridging payment, which it would then claim back from employer (which will likely increase bad debts owed to the scheme and has not been modelled)</li> </ul>
<b>Impact for employees</b>	<ul style="list-style-type: none"> <li>• Clear that employers are responsible for bridging payment</li> <li>• Increased risk that some employees do not get paid</li> <li>• Risk of confusion over differences between Income Insurance and bridging payment</li> </ul>	<ul style="list-style-type: none"> <li>• Guarantees bridging payment, including for those who are not eligible for Income Insurance</li> <li>• Appeal process through ACC rather than Employment Relations Authority or Employment Court</li> </ul>
<b>Impact for employers</b>	<ul style="list-style-type: none"> <li>• Employers must make bridging payment, if necessary with guidance on quantum from scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Employers must pay bridging payment to ACC</li> <li>• May dispute calculation of bridging payment with ACC</li> </ul>
<b>Impact for government</b>	<ul style="list-style-type: none"> <li>• Administratively straightforward for Income Insurance</li> <li>• Increased demand for Labour Inspectorate and judicial processes</li> </ul>	<ul style="list-style-type: none"> <li>• Administratively complex for Income Insurance</li> <li>• Limited impact on Labour Inspectorate</li> <li>• Potential increase in demand for judicial processes</li> </ul>

**Refunding bridging payments**

97. The discussion document proposes partial or full bridging payment refunds to employers who support staff to find alternative employment. The refund proposal seeks to incentivise employers to use their networks to place employees into new jobs. The refund would also give employers an opportunity to defray their bridging payment costs.

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98. If introduced, New Zealand will be a pioneer in incentivising workplace activation through a refund scheme. We are not aware of any comparable approaches in other OECD countries.
99. The refund proposal does, however, pose a range of practical challenges for scheme administrators including:
  - a. the evidence required to determine the employer's role,
  - b. the timing of the employee finding work (which may not coincide with their start date) and therefore the amount of refund owing, and
  - c. resolving disputes if an employee turns that work opportunity down.
100. Overcoming these challenges requires trading off ease of administration with effectively incentivising employer behaviour.
101. The simplest approach would be to make an automatic 'refund' if an employee finds work before drawing down any income insurance entitlement. This would, however, reward employers who do not help their staff find other work, and drive up scheme costs to pay refunds and build a robust system that can pay large numbers of employers.<sup>2</sup>
102. Alternatively, a scheme that set a high standard for employer assistance would create further cost for employers and for the scheme. With only a modest payment available, few employers could be expected to seek refunds, while the scheme maintained the (costly) capability to assess refunds.
103. Subject to the public consultation, SUIGG may wish to set aside the option of a bridging payment refund being available from 'day one', given the complexities and costs involved and the likely modest impact on employer behaviour.
104. The New Zealand Income Insurance legislation could, nevertheless, allow for a refund policy, and the ACC could build a basic capability for this function. This would maintain the option of making incentive payments to employers at a later date, with the benefit of greater knowledge of employer and employee behaviour.
105. The table below summarises these considerations.

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<sup>2</sup> A similar system would be needed to pay a wage subsidy or similar payment to employers.



**IN CONFIDENCE**

	<b>'Light touch' refund scheme</b>	<b>'High bar' refund scheme</b>	<b>No refund</b>
<b>Effectiveness as employer incentive</b>	Limited effect as an incentive due to weak link between employer effort and refund	Strong link to employee work, but effect diluted by hassle of demonstrating support and potential scale of refund	None – although there may be other reasons employers support staff
<b>Impact on employer cashflow</b>	Potential to ease cashflow and cost burden of redundancies	Reduced impact on cashflow and cost burden due to higher bar set	None – bridging payment is borne by employers
<b>Impact on employee</b>	None anticipated	Some potential for collusion between employers and employees	None – employee retains full value of bridging payment
<b>Impact on scheme</b>	Significant cost to scheme due to high expected volume of refunds	Limited impact on costs of scheme depending on evidence needed. A high bar is likely to add administrative and appeals costs to the scheme	None – modelling of scheme costs assumed no refunds

**Bridging payments for health condition and disability dismissals**

106. The discussion document proposes bridging payments where employers dismiss New Zealand Income Insurance claimants on medical grounds. The objective is to discourage employers from dismissing claimants on medical grounds, while not requiring bridging payments where workers resign for medical reasons.
107. This raises questions about whether the payment should be available to all employees dismissed on medical grounds, such as people who lose work due the effects of injuries (ACC claimants), or people not eligible for New Zealand Income Insurance (such as temporary migrants, or people who do not meet the employment history requirements.)
108. The SUIGG may wish to consider extending eligibility for the medical dismissal bridging payment to these groups, or whether to remove the medical dismissal bridging payment from the New Zealand Income Insurance design. The table below summarises these considerations.

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	<b>Bridging payment linked to Income Insurance eligibility</b>	<b>Bridging payment for anyone dismissed for medical reasons</b>	<b>Exclude bridging payments for medical reasons</b>
<b>Short description</b>	Limit bridging payments to those on the Income Insurance scheme	Bridging payments provided to anyone dismissed for medical reasons, including those on ACC	Exclude all workers dismissed for medical reasons from bridging payment requirements
<b>Advantages</b>	Protects people on Income Insurance scheme from job loss	Protects workers with HCD or injury from job loss  Consistent with approach of treating bridging payment as an employment standard	Consistent with current approach for people receiving weekly compensation from ACC
<b>Risks</b>	Disincentivises employment of people with health condition or disability that could get worse  Ties bridging payments to the scheme to (rather than an employment standard)  Prospect of inconsistent treatment of HCD clients who are not eligible for Income Insurance	Could create indefinite contingent liabilities for some employees (unless a cut-off period is mandated)  Need to ensure consistent approach to abatements between ACC and Income Insurance	Could increase pressure from employers to have staff dismissed for medical reasons

## **Other issues under consideration**

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109. The following discussion provides a brief comment on a number of other policy issues related to coverage, entitlements, obligations, taxation, impacts on low-income workers, and administration.

### **Whether to cover voluntary redundancies**

110. The scheme could exclude or include workers who opt for 'voluntary redundancy'. Voluntary redundancies could be seen as a form of voluntarily ending work, rendering such employees ineligible for insurance. Equally, a 'voluntary redundancy' remains a form of employer-initiated redundancy, where at least some members in a workplace face redundancy, suggesting coverage is appropriate. Further, excluding these employees could discourage use of voluntary redundancy processes; such processes could be useful for enabling employees more at risk of wage scarring to remain employed, while those with better prospects opt to leave.

### **Whether to cover younger workers**

111. The discussion document is silent on whether the scheme covers younger workers, such as school students in part-time work. The scheme could cover these workers for the loss of income from lawful work, as the accident compensation scheme does. While some families do depend (in part) on income from younger family members, school students who lose part-time work seem unlikely to risk wage scarring.

### **How to calculate entitlements**

112. Entitlements could be based on prior income, or expected income, and based on shorter or longer reference periods. The same formula could be applied for the insurance payment and the bridging payment, or different formulas could apply. There is a good case to adapt the accident compensation scheme for New Zealand Income Insurance, with modifications for the short-term nature of the scheme, and different qualifying events.

### **How to apply job search and related obligations**

113. Job search obligations could begin as soon as a redundancy is notified, or when the bridging payment begins. Imposing obligations prior to the start of insurance payments could encourage an early return to work, but also place unnecessary stress on displaced workers. Even if obligations only took effect following the bridging payment, claimants could still have access to case management, from the notification of redundancy and the acceptance of their claim. In any case, claimants would be obligated to advise the scheme of any changes that affect their eligibility for insurance.
114. The scheme would require claimants to accept suitable employment, defined in the discussion document as a job providing at least the same wages and terms and conditions. While it will be straightforward to compare wages, it could be difficult to assess whether the terms and conditions are the same. The scheme could empower case managers to make a determination, or rely more on mutual agreement between case managers and claimants.

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115. There may be situations where claimants are subject to duplicative or conflicting obligations from the ACC and MSD. The Working Group is exploring whether and often this might occur, and how to reconcile such obligations.

### **Whether to allow flexibility in beginning, pausing, or resuming entitlements**

116. The discussion document assumes entitlements begin as soon as a person becomes eligible, and then run until eligibility ends. However, there could be good reasons for deferring the start of the entitlement, or for pausing and resuming an entitlement – such as allowing claimants to use a six-month entitlement flexibly over an 18-month period. These alternatives could contribute to the scheme’s objectives and incentivise behaviours in different ways.

### **How to administer entitlement extensions**

117. Entitlement extensions could be widely available, or restricted by relatively narrow criteria to target extensions effectively and to manage costs. A narrower approach would require a sophisticated understanding of claimants, of labour market demand, and of the effectiveness of training and other programmes – which is currently lacking. One option is to enable an extensions policy in legislation, and trial the policy once the case management system is established. This would allow the scheme to ‘test and learn’, comparing the experiences of claimants who receive different entitlement durations for support programmes.

### **How to use the New Zealand Income Insurance scheme in extraordinary economic conditions**

118. In extraordinary economic conditions, the scheme could provide extra support for economic recovery, such as widening the usual eligibility criteria, delivering wage subsidies, or administering a short-time work scheme.<sup>3</sup> There are cost and timing implications of establishing these capabilities. The Working Group is exploring these implications further to inform the SUIGG’s choices.

### **How to tax contributions, and whether to require levy contributions from insurance payments**

119. There are choices in how levy contributions are assessed for tax purposes. Applying GST to employer and employee levies – with employers registered for GST able to claim the GST component of the employer levy as an input tax credit – would be consistent with established GST policy. As a cost to businesses, the employer levy would also reduce employers’ taxable income. It would be consistent with the tax treatment of ACC not to allow employees to claim the cost of the employee levy when deriving their taxable income.
120. Insurance payments could be subject to both ACC levies and New Zealand Income Insurance levies. Since insurance payments are not ‘insurable income’, it may be inappropriate to charge New Zealand Income Insurance levies, but it could be appropriate to charge ACC levies. Where relevant, insurance claimants may be able to

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<sup>3</sup> Short-time work schemes directly subsidise hours not worked, such as the German Kurzarbeit.

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pause any KiwiSaver contributions but would remain liable for Student Loan repayments.

### **How to manage impacts of the levy on low-income workers**

121. The SUIGG may also wish to consider ways to reduce the financial impact of the levy on low-income families. The Working Group has previously identified short-comings with such approaches as a levy-free threshold, or a progressive levy.
122. There may still be options – outside the New Zealand Income Insurance scheme – that seek to offset the levy's impact on low-income levy-payers. These options could be explored in connection with the 'fiscal offset' the scheme is expected to generate (anticipated to be between 10 and 20 percent of the total scheme value). That offset could arise from reduced welfare system spending, and GST revenue from employee levies.

### **How to resolve claimant disputes**

123. While the discussion document proposes a four-step dispute resolution mode, with a mix of consensual and determinative elements, the Working Group is examining a range of outstanding policy issues. These include who can lodge a claim, what decisions are reviewable, timeframes for the dispute process, the interactions, roles and boundaries between different systems in the disputes process, and implications for other systems.

### **How to ensure compliance and enforcement**

124. Both the employment standards regime and the accident compensation scheme have established models of compliance and enforcement (with associated offences and penalties). This could provide a starting point, for the new scheme's approach to compliance and enforcement. The aspects of the scheme related closely to employment standards could be managed under that regime, with the compliance and enforcement of the remainder of the scheme modelled on the accident compensation scheme – with appropriate adjustments given the different features of the new scheme.

### **How to collect, share, and protect information**

125. The Working Group is identifying the types of information that may need to be shared to support the effective operation of the scheme. This will inform consideration of how to best enable information-sharing, and consultation with the Office of the Privacy Commissioner on the preferred approach to enabling information sharing arrangements.
126. The Income Insurance Bill would provide a ready mechanism to enable information sharing for implementation of the Scheme, including removing any legislative impediments for agencies in sharing information.

### **How to manage New Zealand Income Insurance funds, and how to set levies**

127. Although the scheme is expected to be largely self-financing from levies, there will likely be a period after the establishment of the scheme where claim outflows are larger than levy inflows. There may be ongoing temporary cashflow deficits beyond

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this initial phase if levy collection and claims payments do not align, but it is expected that these could be managed by the scheme's accumulated surpluses.

128. Some sort of funding buffer will be required to manage other inherent uncertainties relating to the scheme; for instance, the timing of the introduction of the scheme in relation to the economic cycle, and uncertainty about the assumptions underpinning the initial levy rate. Officials are working through options for the scheme's funding policy, which includes work on an overall approach to dealing with this risk and uncertainty and the options for the scheme to meet its initial liquidity needs. This includes consideration of when, how regularly, and any triggers to review levy rates for sufficiency, and how reserves will be built up initially and managed over time.

## Next Steps

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129. In the New Year, we will work with your offices to arrange a Social Unemployment Insurance Governance Group meeting to discuss this paper.
130. That meeting will also be an opportunity to discuss wider aspects of the New Zealand Income Insurance project. These include the public engagement, the process to confirm the scheme's design, and the subsequent legislative and implementation phases. It may therefore be useful for the SUIGG to meet before the launch of the discussion document.
131. We also intend to continue to engage with the National Iwi Chairs' Forum Pou Tangata Skills and Employment Iwi Leaders Group on the design of the scheme, including on the issues discussed in this paper.

## Annex One: Coverage for self-employment – table of options

Option	Advantages	Disadvantages	Options for addressing disadvantages
<p><b>Option 1:</b> Exclude self-employed / only cover employees (using the BP4C clearer definition of employees).</p> <p><b>Option 1A</b> Provide a call-in function to add excluded groups.</p>	<ul style="list-style-type: none"> <li>• Simple to apply, reducing complexity and administrative costs</li> <li>• Ability to add a call-in function which can bring defined groups of contractors into the scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Incentivises self-employment by making them relatively cheaper</li> <li>• Smaller levy base</li> <li>• Does not achieve scheme's objectives of maximising coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Charge all self-employed the full levy cost, even without providing cover, to limit incentivisation due to price</li> <li>• Option 1A: Include some groups of self-employed eg platform workers such as Uber drivers (via call-in function)</li> </ul>
<p><b>Option 2:</b> Cover all self-employed compulsorily</p>	<ul style="list-style-type: none"> <li>• Wider levy base provides the scheme with economies of scale</li> <li>• Reduced distortion between standard and non-standard workers</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to define eligibility and trigger requirements that cannot be gamed</li> <li>• Self-employed likely to require a higher per claim level of assessment for eligibility into the scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt a third-party certification requirement, to determine if income loss is unexpected, involuntary and no-fault</li> <li>• Adopt a stand-down period to raise the costs of self-employed entering the scheme</li> </ul>
<p><b>Option 3:</b> Compulsorily include self-employed who depend on five or fewer clients</p>	<ul style="list-style-type: none"> <li>• Targets those self-employed who most resemble employees and so fall into the intent of the scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to determine ex-ante whether someone is in or out of the scheme (and therefore liable to pay the levy)</li> <li>• Creates perverse incentives to take or decline work to stay within/outside the definition for coverage</li> <li>• Effectively an opt-in scheme given how fluid contracts can be and the ease of entering into new ones</li> </ul>	<ul style="list-style-type: none"> <li>• Require all self-employed to be part of the scheme and opt-out (receive a refund) should they move over the 5-contract limit.</li> </ul>
<p><b>Option 4:</b> Establish a separate, opt-in scheme for self-employed.</p>	<ul style="list-style-type: none"> <li>• Allows self-employed to decide whether the New Zealand Income Insurance 'product' is right for them. In theory this could attract those who most resemble employees</li> </ul>	<ul style="list-style-type: none"> <li>• The highest risk clients are the most likely ones to opt-in, resulting in a cycle of higher levies and lower uptake</li> <li>• Mechanisms needed to ensure opt-in is not abused by those who are choosing to close their business</li> <li>• Remains difficult to determine eligibility for insurance payments</li> <li>• Would require the creation of separate policy, funding, and eligibility settings for a potentially small pool of participants</li> </ul>	



## Annex Two: Notice period and bridging payment in cases of short-term contracts – table of options

Option		Example	Impacts
<b>Four-week notice and bridging period</b>	A 4-week notice period and 4-week bridging payment is applied to any premature termination of a contract, no matter the length of time of the contract	A worker on a 3-month contract is made redundant 6 weeks before the termination of their contract. The worker would be entitled to 4 weeks of notice, plus 2 weeks of bridging payment (to the end of their contract). Termination with 4 weeks or less would result in no real impact, because the notice period would take the worker through to the scheduled end of the contract.	Simple to apply, consistent with the wider NZ Income Insurance rules, but limits the flexibility inherent in short-term contracts by raising their potential cost if terminated early.
<b>'Pro-rated' option'</b>	Total contract length (notice/bridging) <ul style="list-style-type: none"> <li>- =&lt;1 month: 1 week</li> <li>- 1-3 months: 2 weeks</li> <li>- 3.1-6 months: 3 weeks</li> <li>- 6.1+ months: 4 weeks</li> </ul> Entitlements end at the contract end-date	A worker on a 3-month contract is made redundant 3 weeks before the end of the contract – the employer must provide 2 weeks of notice period, plus 1 week of bridging payment (the bridging payment is not paid after the end of the contract).  If that worker were made redundant 6 weeks before the end of the contract, the employer must provide 2 weeks of notice, 2 weeks of bridging, and then the worker enters the scheme for the final 2 weeks (payments would stop at the expected end date of the contract).	Preserves flexibility for short-term contracts, but is less simple to understand, and may result in 'bunching' of contracts at certain durations to limit notice/bridging length.
<b>'Remaining time' option</b>	When there is 3 months or less remaining in the contract, the remaining period is split into three: <ul style="list-style-type: none"> <li>- Notice period (min 1 week)</li> <li>- Bridging payment (min 1 week)</li> <li>- SUI</li> </ul>	Someone with 6 weeks left in their contract is made redundant, the employer has the following obligations: <ul style="list-style-type: none"> <li>- 2 weeks notice period</li> <li>- 2 weeks bridging payment</li> <li>- 2 weeks NZ Income Insurance payments (they would stop receiving payments at the end of their original fixed term contract)</li> </ul> <p>If the worker is made redundant with 3.5 months left on their contract, then full 4-week notice and bridging periods would apply before the worker enters the NZ Income Insurance scheme (they would be eligible for insurance payments for a maximum of 6 weeks).</p>	By focusing on the remaining time in the contract rather than the total time, this option will not change incentives about contract length. More complex to understand.