



AIDE MEMOIRE

Social unemployment insurance – agenda and presentation for SUIGG Tuesday 21 September 2021

Date:	17 August 2021	Priority:	High
Security classification:	In Confidence	Tracking number:	2122-1049

Information for Minister	
	Deadline
Rt Hon Jacinda Ardern Prime Minister	20 September 2021
Hon Grant Robertson Minister of Finance	
Hon Chris Hipkins Minister of Education	
Hon Carmel Sepuloni Minister for Social Development and Employment	
Hon David Parker Minister of Revenue	
Hon Stuart Nash Minister for Economic and Regional Development	
Hon Michael Wood Minister for Workplace Relations and Safety	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Jivan Grewal	Policy Director, Employment, Skills and Immigration Policy	Privacy of natural persons	✓

The following departments/agencies have been consulted
N/A

Minister's office to complete:

Noted

Overtaken by Events

Approved

Needs change

See Minister's Notes

Declined

Seen

Withdrawn

Comment



AIDE MEMOIRE

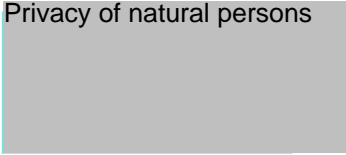
Social unemployment insurance – agenda and presentation for SUIGG Tuesday 21 September 2021

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Purpose

The purpose of this note is to provide Ministers with information to support a meeting of the Social Unemployment Insurance Governance Group (SUIGG) meeting on Tuesday 20 September 2021.

Privacy of natural persons



Jivan Grewal
**Policy Director, Employment, Skills and
Immigration Policy**
Labour, Science and Enterprise, MBIE

17 / 09 / 2021

Background

1. The Social Unemployment Insurance Leadership Group (SUIGG) is meeting 10.00-10.45am Tuesday 21 September.
2. The purpose of the meeting is to agree with social partners on three remaining elements of the social insurance proposal for public consultation:
 - the role of employer-bridging payments, or other measures to limit unjustified insurance claims for displacement,
 - the insurance entitlement duration, and whether (and how) to allow claimants to extend entitlement durations, and
 - the preferred levy rate.
3. The meeting is also an opportunity to prepare for the Future of Work Forum itself, on Thursday 23 September.

Supporting materials for the SUIGG meeting

4. Ministers have previously received two briefings for this SUIGG meeting:
 - *Further advice on the proposed levy and wider impacts of social unemployment insurance*, MBIE 2122-0664, 25 August 2021, and
 - *Supplementary advice on estimating the cost of social unemployment insurance*, MBIE 2122-0777, 3 September 2021.
5. These briefings provide detailed discussion on policy choices, and the scheme's cost estimates.
6. This aide memoire provides:
 - an agenda for the SUIGG meeting, and
 - a draft set of slides for the Forum meeting, and accompanying talking points, for the Minister of Finance.

Next steps

7. Following the SUIGG meeting on Tuesday, the Social Insurance Working Group will update the slides, and talking points for use at the Forum.
8. Time-permitting, the Working Group will also update the Discussion Document.

Annexes

Annex one: Agenda for the 21 September SUIGG meeting

Annex two: Slides and talking points for the 23 September Tripartite Forum

Agenda: Social Unemployment Insurance Governance Group

Date	21 September 2021
Time	10.00am -10.45am
Venue	PM Boardroom

Attendees	
Members	<p>Rt Hon Jacinda Ardern, Prime Minister</p> <p>Hon Grant Robertson, Minister of Finance</p> <p>Hon Chris Hipkins, Minister of Education</p> <p>Hon Carmel Sepuloni, Minister for Social Development and Employment</p> <p>Hon David Parker, Minister of Revenue</p> <p>Hon Stuart Nash, Minister of Regional and Economic Development</p> <p>Hon Michael Wood, Minister for Workplace Relations and Safety</p> <p>Richard Wagstaff, President, New Zealand Council of Trade Unions</p> <p>Kirk Hope, Chief Executive, Business NZ</p>

Agenda

Item	Discussion Point	Time
1	<p>Outstanding design decision sought- bridging payment</p> <p>Noting previous advice, agree to the bridging payment proposal for the purpose of public consultation.</p> <p>Key considerations, include:</p> <ul style="list-style-type: none"> • Cost impost on small business • Impacts on productive restructuring • Impacts on likely costs of the scheme (and consequently on levies) • Impacts on gaming risks (eg. Collusion around reclassifying voluntary resignations) 	10
2	<p>Outstanding design decision sought – base duration</p> <p>Noting previous advice, agree the base duration for the purpose of public consultation. Key considerations include:</p> <ul style="list-style-type: none"> • Impact on cost of scheme • Impact on work incentives • Link to extendibility 	10
3	<p>Outstanding design sought – extendibility</p> <p>Noting previous advice, agree whether to allow for extensions for training and vocational rehabilitation and if so preferred option. Key considerations include:</p> <ul style="list-style-type: none"> • Benefits of enabling sufficient time to undertake training or rehabilitation and improve labour market outcomes 	

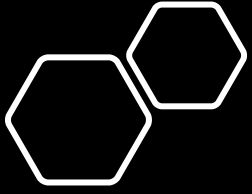
Item	Discussion Point	Time
	<ul style="list-style-type: none"> • Balanced with risks of entering low value programmes and extended periods of unemployment • Availability of training and rehabilitation programmes • Uncertainty about the uptake and therefore cost to the scheme 	
3	<p>Costing and levy rates – decision sought</p> <p>Noting previous advice, agree to an indicative levy for the purposes of public engagement. Key considerations include:</p> <ul style="list-style-type: none"> • Difficulty on estimating exact cost due to uncertainty about potential behavioral change • Cost impact for business • Impact for employees, in particular workers on low incomes • Crown’s role as levy payer and funder/lender as last resort 	10
4	<p>Approach to the Forum 23 September</p> <p>A presentation and talking points to support the discussion at the Forum is attached.</p> <p>The discussion document will not be considered by Cabinet until after the Forum. Discuss and agree preferred approach to the Forum. Key considerations include:</p> <ul style="list-style-type: none"> • Forum feedback and endorsement of direction of the proposal design for consultation. • Agreement to delegate approval of changes to the discussion document (in line with policy intent) to SUIGG members following Cabinet consideration to expedite the publication process. • Indicate whether you want a SUIGG member to present at the Forum and if you want officials to attend the Forum. 	15

Papers:

Draft – New Zealand Income Insurance discussion document

Draft presentation for FoW Forum 23 September 2021

Talking points for FoW Forum 23 September 2021



A New Zealand Income Insurance Scheme

September 2021

New Zealand Government

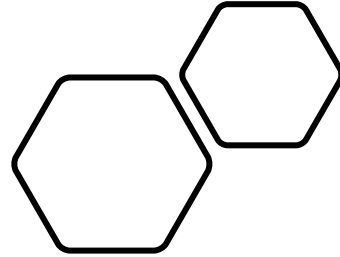


NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi



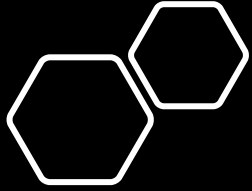
GROWING PROSPERITY AND POTENTIAL

Purpose of this session



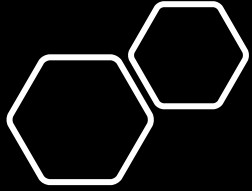
We will cover:

- The work done to date to design an income insurance scheme.
- Our objectives.
- The proposals for an income insurance scheme, which we'll seek agreement to consult with the public on.
- The next steps and timeframes.



We've done
a lot since
March...

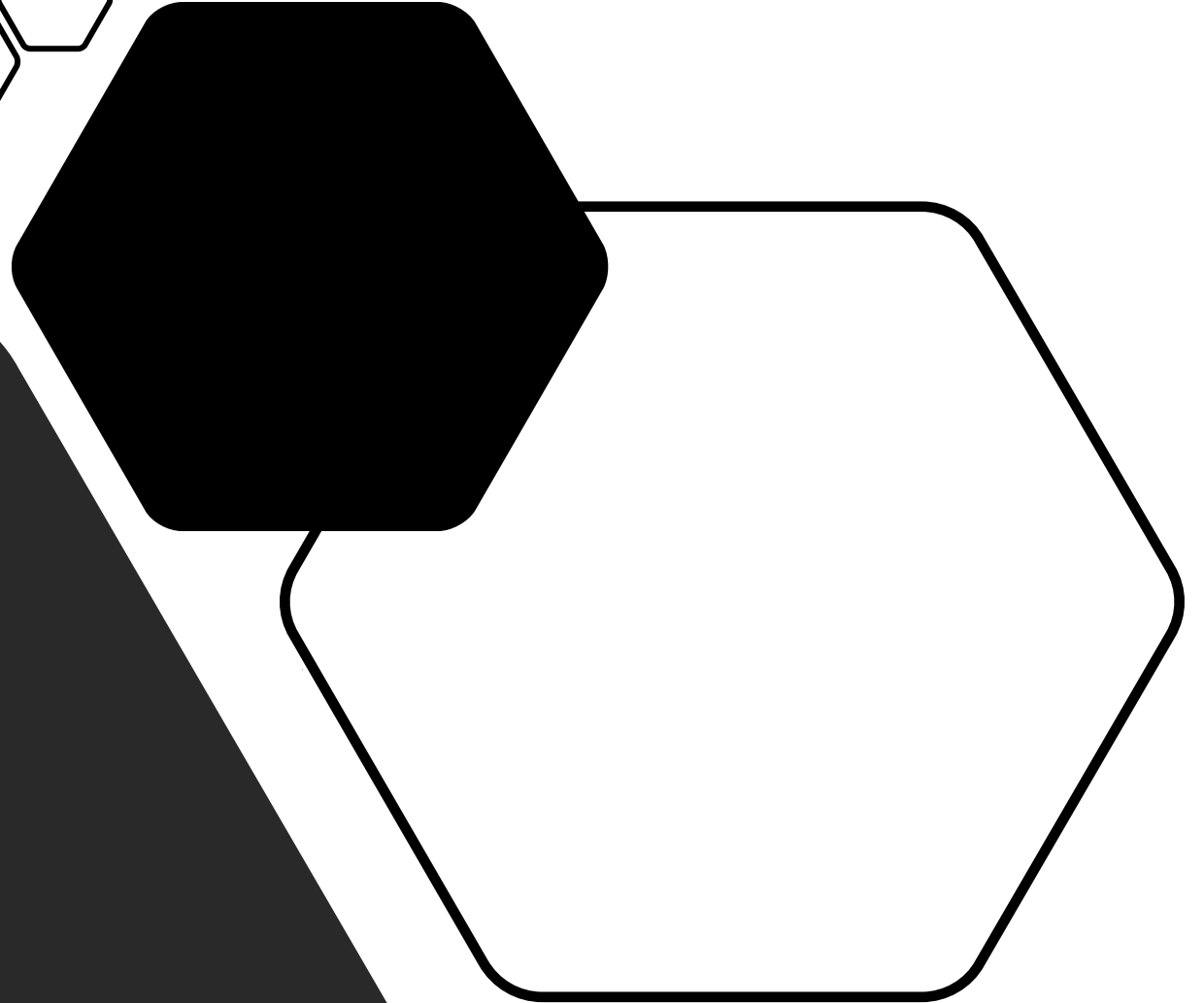
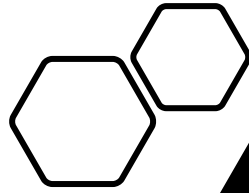
- A genuinely tripartite process.
- A dedicated working group of Officials and Social Partners with a Governance Group of Senior Ministers and Social Partners.
- Extensive research has been undertaken to develop a suitable design and model the potential costs.
- The work has shown that establishing a scheme is viable, affordable and has a real chance to meet our objectives.



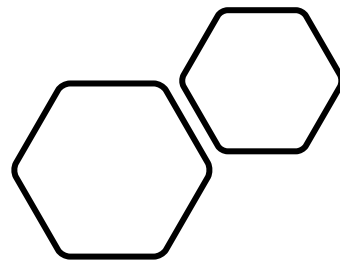
Our objectives...

- Gaps exist in support currently available.
- We have clear objectives for a new scheme:
 - minimise the immediate financial impact of losing income and work, for workers and their families,
 - support workers back to good jobs, and
 - support the economy to adjust more rapidly to shocks or downturns.
- We think we can meet these objectives with the scheme we've designed.

Key scheme design parameters

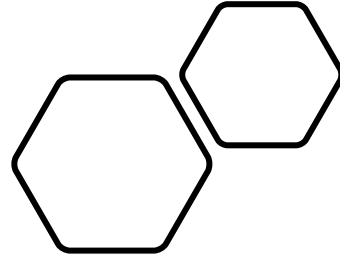


Who is covered?



- Payments would be available to New Zealand citizens and residents.
- For displacement, coverage would be provided for most working arrangements.
- We'll seek views on how the scheme could cover the self-employed.
- For health conditions and disabilities that significantly reduce work capacity **all** working arrangements would be covered.

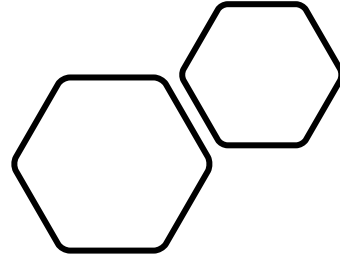
What is covered? Displacement



For displacement, the scheme would cover:

- The involuntary loss of work, due to the disestablishment of a job.
- Complete job loss only - including full loss of a part-time job where a person remains engaged in other employment.

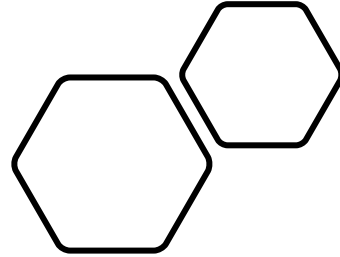
What is covered? Health conditions and disabilities



For health conditions and disabilities:

- The scheme would cover any health condition or disability that results in a reduction of capacity to work of at least 50% and that is expected to last for no less than four working weeks.
- To qualify for the scheme, the claimant would need to provide a work capacity assessment along with evidence from the employer (as required) of their capacity to undertake their job.

What would the role of the employer be?



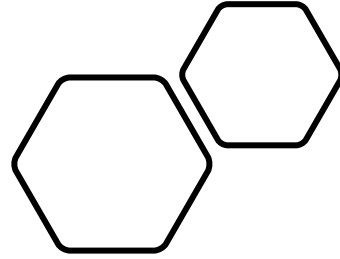
For displacement employers would:

- Give at least four weeks notice pre-displacement.
- Meet the cost of the first four weeks of the worker's period of unemployment.

For health conditions and disabilities employers would:

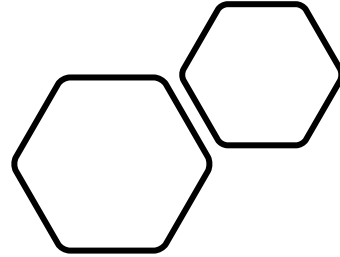
- Undertake reasonable steps to support an employee to continue working.
- Be expected to make reasonable efforts to protect the job where there is a realistic possibility of return to work.
- Pay bridging payments where the employer ended the employment relationship.

How much is covered?



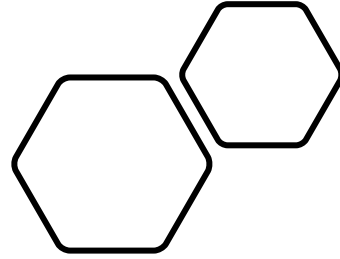
- Replacement rate of up to 80% of prior income (up to an indexed income cap of \$130,911).
- Where a person retained some employment- insurance would “top-up” income to 80% of the total prior income.
- Individualised entitlement with no asset testing.
- Dollar-for-dollar (100%) abatement once the combination of personal exertion income and insurance reached 100% of prior income.

For how long and how frequently?



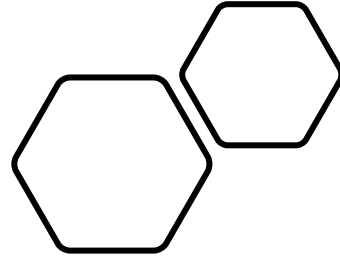
- A **six month entitlement period** (plus a possible initial period to be paid by the employer).
- **Ability to extend entitlements to up to 12 months for approved training.**
- Workers would need to have contributed to the scheme for **six** months or more, over the 18 months preceding the claim.
- A limit on subsequent claims.

How would the scheme interface with existing financial support?



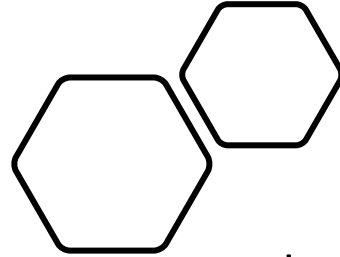
- Insurance payments would be income for welfare and tax purposes.
- Claimants may be able to receive additional support from the welfare system, with entitlements affected by their level of insurance.
- Other support could also be received alongside insurance (depending on eligibility) such as New Zealand Superannuation and Student Support.

What other support would be provided?



- Client support.
- Claimants connected with support to find work, or to prepare for work.
- Could provide access to more specialised case management services for claimants in certain circumstances.'
- Links to other work programmes such as our ongoing review of Active Labour Market Policies.

What would claimants obligations be?



- Be based in New Zealand.
- Demonstrate effort to search for, and accept offers of suitable employment, or to prepare for employment (with deferrals for those undertaking approved training or based on work capacity).
- In addition, health condition and disability claimants would need to:
 - Provide subsequent work capacity medical certificates if required.
 - Engage in return to work activities where relevant and available.
- In serious cases of non-compliance claimants could have payments suspended until they re-complied.

How would the scheme be delivered?

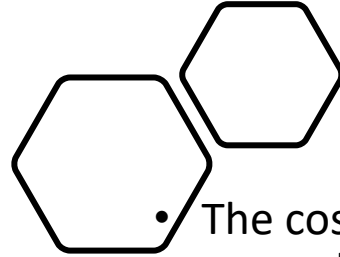


- Delivered by the Accident Compensation Corporation (ACC).
- Governance of the scheme would include tripartite and Māori representation.
- The corporation will develop information sharing agreements and sharing arrangements with employers, other agencies, and service providers.

Disputes and enforcement:

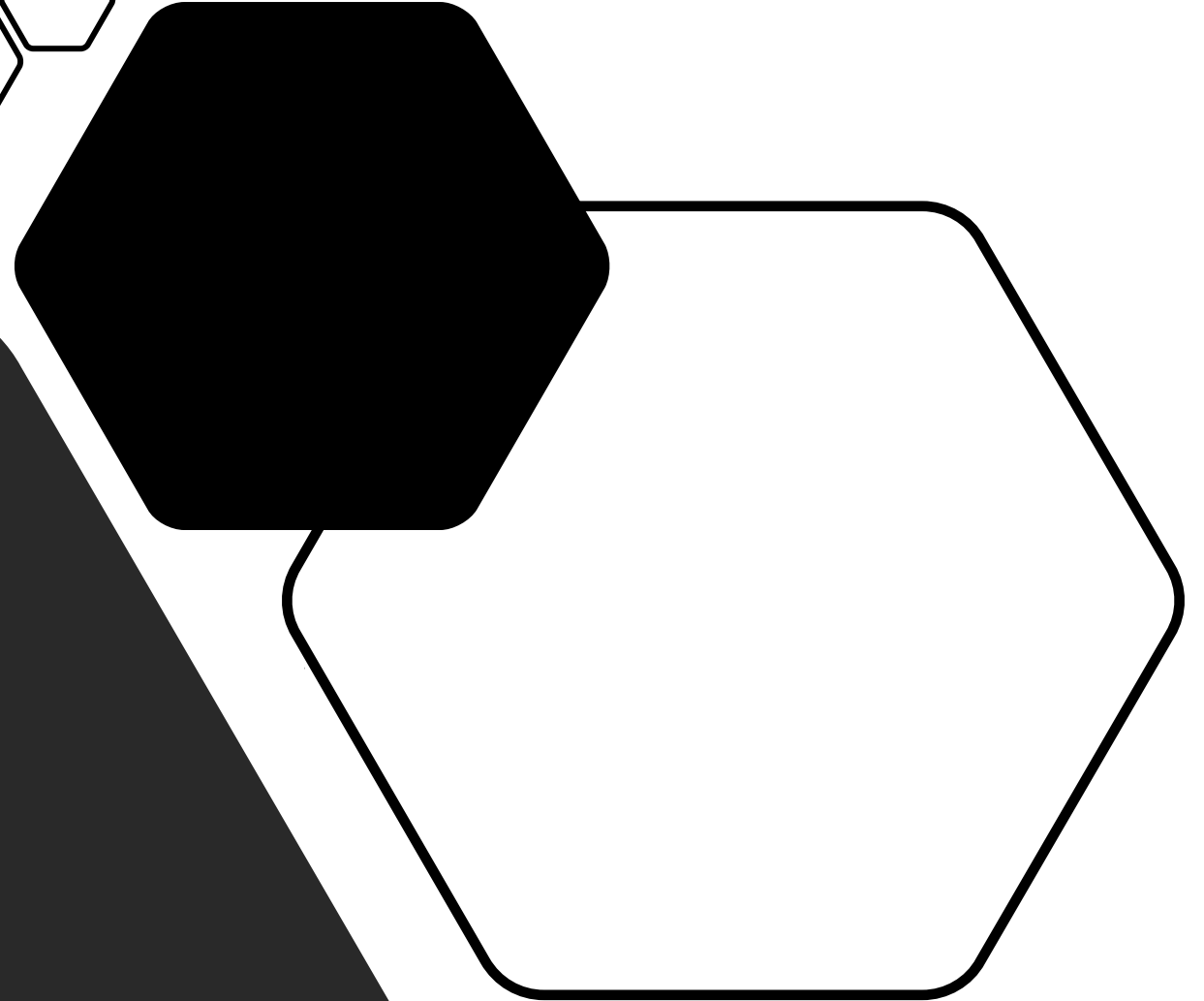
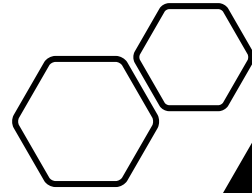
- ACC would refer reviews or disputes to independent reviewers, with multiple escalation steps where needed.
- The scheme would take appropriate action to collect levy payments, and to deter and respond to misrepresentation.

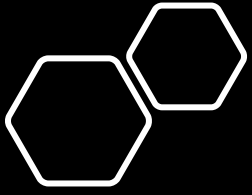
How would the scheme be funded? What would it cost?



- The costs of the scheme would be met via a compulsory levy paid in equal proportions by employers and employees.
- It is difficult to estimate the exact cost.
- Modelling various scenarios result in a total levy rate of between 1.29% and 3.74% (including GST).
- For the purposes of public consultation we propose that the levy be set at **X%**. This means a levy of **X%** for employers, and **X%** for employees
- The levy would be adjusted when necessary, to meet the scheme's costs.
- The Crown would act as funder/lender of last resort, but this would be repaid via levies.
- There would be flexibility to vary entitlements and eligibility in times of crisis which could require Crown funding.

Next steps





Any Questions?

March 2021

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