



AIDE MEMOIRE

Social Unemployment Insurance - materials for the Future of Work Tripartite Forum

Date:	21 September 2021	Priority:	High
Security classification:	In Confidence	Tracking number:	2122-0542

Information for Minister(s)
Hon Grant Robertson Minister of Finance

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

The following departments/agencies have been consulted
The Treasury, Ministry of Social Development, Inland Revenue, Department of the Prime Minister and Cabinet

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 Withdrawn |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 supporting material for your discussion on Social Unemployment Insurance at the Future of Work Tripartite Forum (the Forum), on 23 September 2021.

Privacy of natural persons



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

21 / 09 / 2021

Background

1. The Future of Work Tripartite Forum is meeting on 23 September 2021 to approve the release of a public discussion document on a Social Unemployment insurance Scheme.
2. The Social Unemployment Insurance Governance Group (SUIGG) have been meeting regularly to discuss key design parameters.
3. Most recently, SUIGG met on 21 September 2021 to confirm key outstanding decisions. At this meeting it was agreed that:
 - a. the levy be set at 2.77% for public consultation,
 - b. the duration of the scheme be six months, plus an additional month paid by the employer (a “bridging payment”),
 - c. the discussion document will consult on the inclusion of a mechanism to extend the base duration for up to a maximum of 12 months for training and rehabilitation, provided the appropriate services and programmes are in place.
4. Attached materials include the draft discussion document (**Annex One**), a slide pack (**Annex Two**), the draft Cabinet paper (**Annex Three**) and the communications plan (**Annex Four**). These materials reflect the preferred settings of SUIGG.

Approach to the forum

5. The draft discussion document and summary (**Annex One**) sets out the scheme design in detail, and poses consultation questions on the design. All of the preferred settings are outlined in the draft discussion document.
6. The Forum is being asked to publically release the draft discussion document for public consultation, subject to Cabinet agreement. If the Forum requests changes to the discussion document, approval of the changes (in line with the policy intent) could be delegated to SUIGG members ahead of the release of the discussion document.
7. A slide pack is attached at **Annex Two** to support the discussion at the Forum. The slides provide an overview of the scheme’s objectives, design and next steps. Representatives of the Social Unemployment Insurance Working Group, Jivan Grewal (MBIE), Craig Renney (CTU), and Paul MacKay (BusinessNZ), will present to the Forum.
8. Following the Forum, you, alongside the Minister for Social Development and Employment and Minister for Workplace Relations and Safety, intend to submit a draft paper to Cabinet alongside the draft discussion document and summary document. The draft Cabinet paper is attached at **Annex Three**.
9. The draft Cabinet paper seeks agreement to authorise you to endorse the publication of the discussion document and to make minor changes to the discussion document in line with the policy intent, prior to its release.
10. It also seeks agreement to draft the legislation so the Accident Compensation Corporation can develop operational requirements for the scheme.
11. At this stage, it is proposed that the paper be considered by a Cabinet Committee on 29 September 2021 and Cabinet on 4 October 2021.

Communications plan

12. The attached draft Cabinet paper seeks your agreement to undertake public consultation, but no decisions are sought from the Forum on 23 September 2021 regarding timing for publication and subsequent consultation.
13. The attached communications plan at **Annex Four** provides detail on the roles and responsibilities for communications and engagement. Ministers and Social Partners will lead discussions on proposals with officials having a supporting role.
14. The stakeholders identified are from a range of sectors and populations including:
 - a. health professionals,
 - b. Māori,
 - c. Pacific Peoples,
 - d. disabled people and people with health conditions,
 - e. employment, training and rehabilitation providers, and
 - f. businesses and industries.
15. The Social Unemployment Insurance Working Group continues to identify and refine the identified stakeholders with government agencies.
16. We note our early engagement with Māori has identified concerns regarding the amount of time available for consultation, that could impact the ability to consult with Māori in a meaningful way. We aim to consult with Māori on key design features of the scheme and collaborate on the operational design of the scheme.

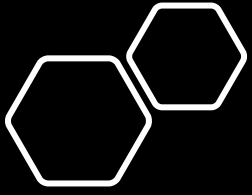
Annexes

Annex One: Draft discussion document and summary

Annex Two: Slide pack

Annex Three: Draft Cabinet paper

Annex Four: Communications plan



A New Zealand Income Insurance Scheme

September 2021

New Zealand Government



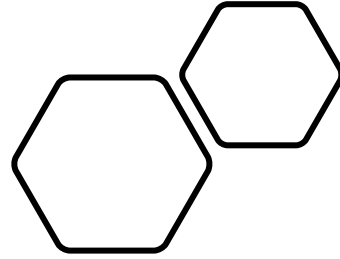
NEW ZEALAND COUNCIL OF TRADE UNIONS

Te Kauae Kaimahi



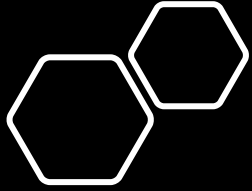
GROWING PROSPERITY AND POTENTIAL

Purpose of this session



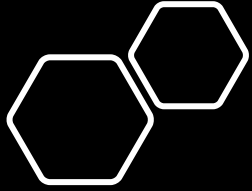
We will cover:

- 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...

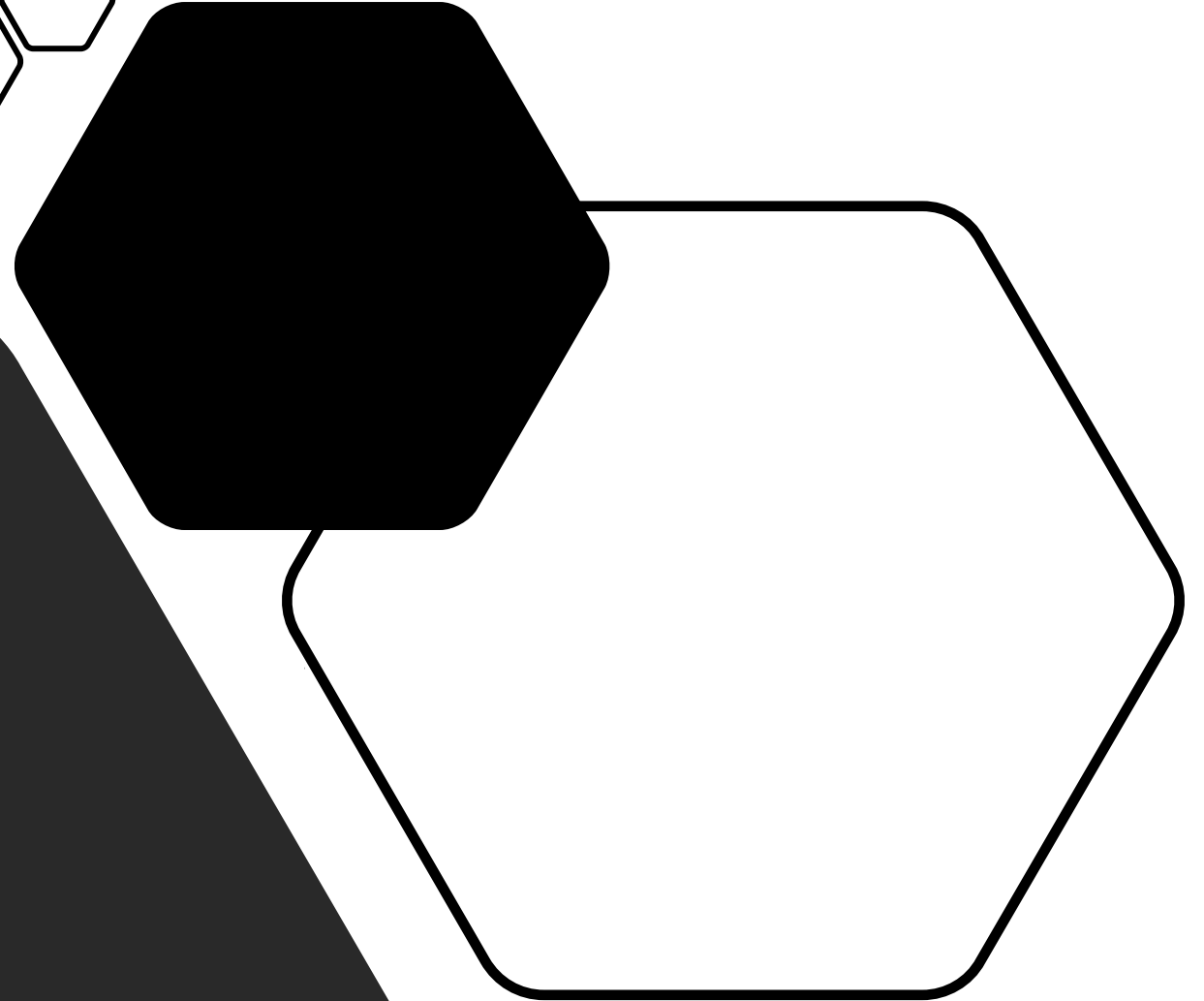
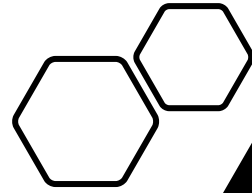
- A genuinely tripartite process.
- A dedicated working group of Officials and Social Partners with a Governance Group of Senior Ministers and Social Partners.
- Extensive research has been undertaken to develop a suitable design and model the potential costs.
- The work has shown that establishing a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



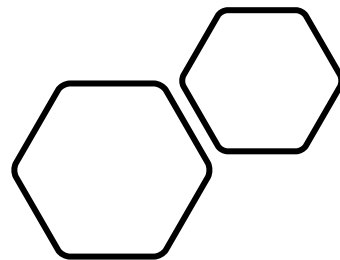
Our objectives...

- 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

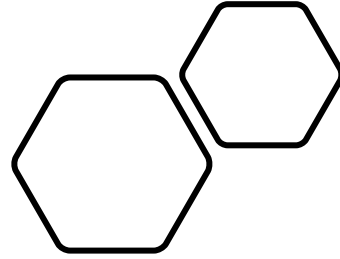


Who is covered?



- 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.

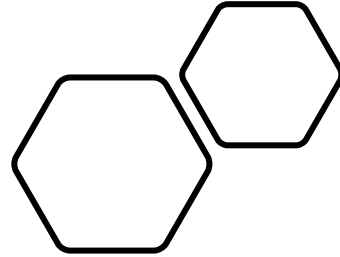
What is covered? Displacement



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.

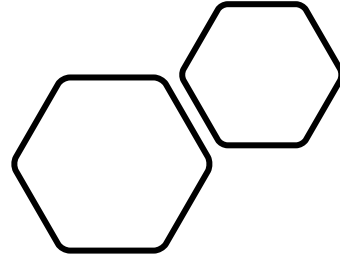
What is covered? Health conditions and disabilities



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?



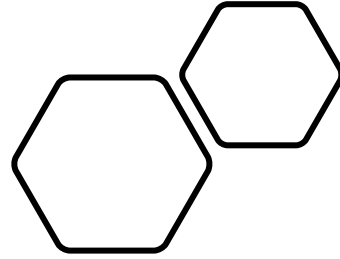
For displacement employers would:

- 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:

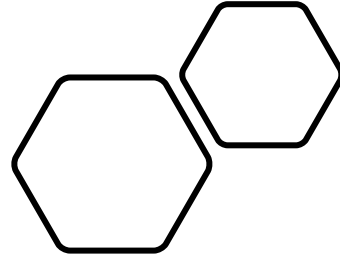
- Undertake reasonable steps to support an employee to continue working.
- Be expected to make reasonable efforts to protect the job where there is a realistic possibility of return to work.
- Pay bridging payments where the employer ended the employment relationship.

How much is covered?



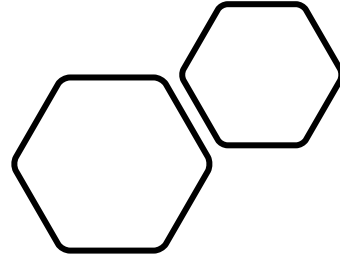
- Replacement rate of up to 80% of prior income (up to an indexed income cap of \$130,911).
- Where a person retained some employment- insurance would “top-up” income to 80% of the total prior income.
- Individualised entitlement with no asset testing.
- Dollar-for-dollar (100%) abatement once the combination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

For how long and how frequently?



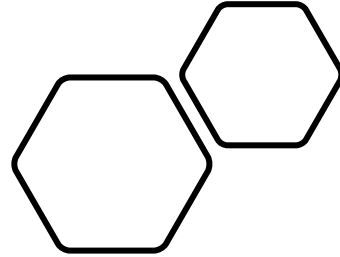
- A **six month entitlement period** (plus a possible initial period to be paid by the employer).
- **Ability to extend entitlements to up to 12 months for approved training.**
- Workers would need to have contributed to the scheme for **six** months or more, over the 18 months preceding the claim.
-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

How would the scheme interface with existing financial support?



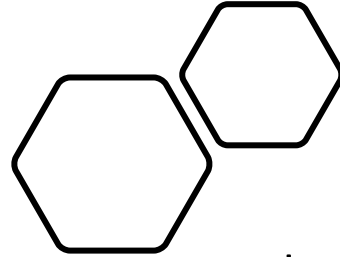
- Insurance payments would be income for welfare and tax purposes.
- Claimants may be able to receive additional support from the welfare system, with entitlements affected by their level of insurance.
- Other support could also be received alongside insurance (depending on eligibility) such as New Zealand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

What other support would be provided?



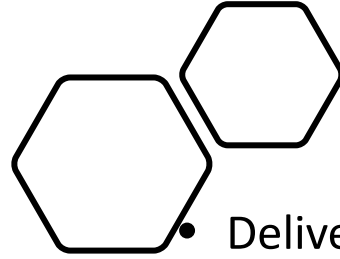
- Client support.
- Claimants connected with support to find work, or to prepare for work.
- Could provide access to more specialised case management services for claimants in certain circumstances.'
- Links to other work programmes such as our ongoing review of Active Labour Market Policies.

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?

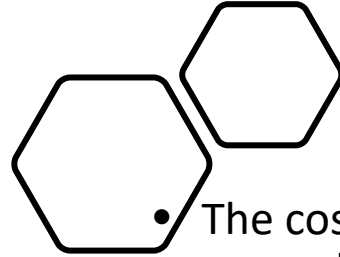


- Delivered by the Accident Compensation Corporation (ACC).
- Governance of the scheme would include tripartite and Māori representation.
- The corporation will develop information sharing agreements and sharing arrangements with employers, other agencies, and service providers.

Disputes and enforcement:

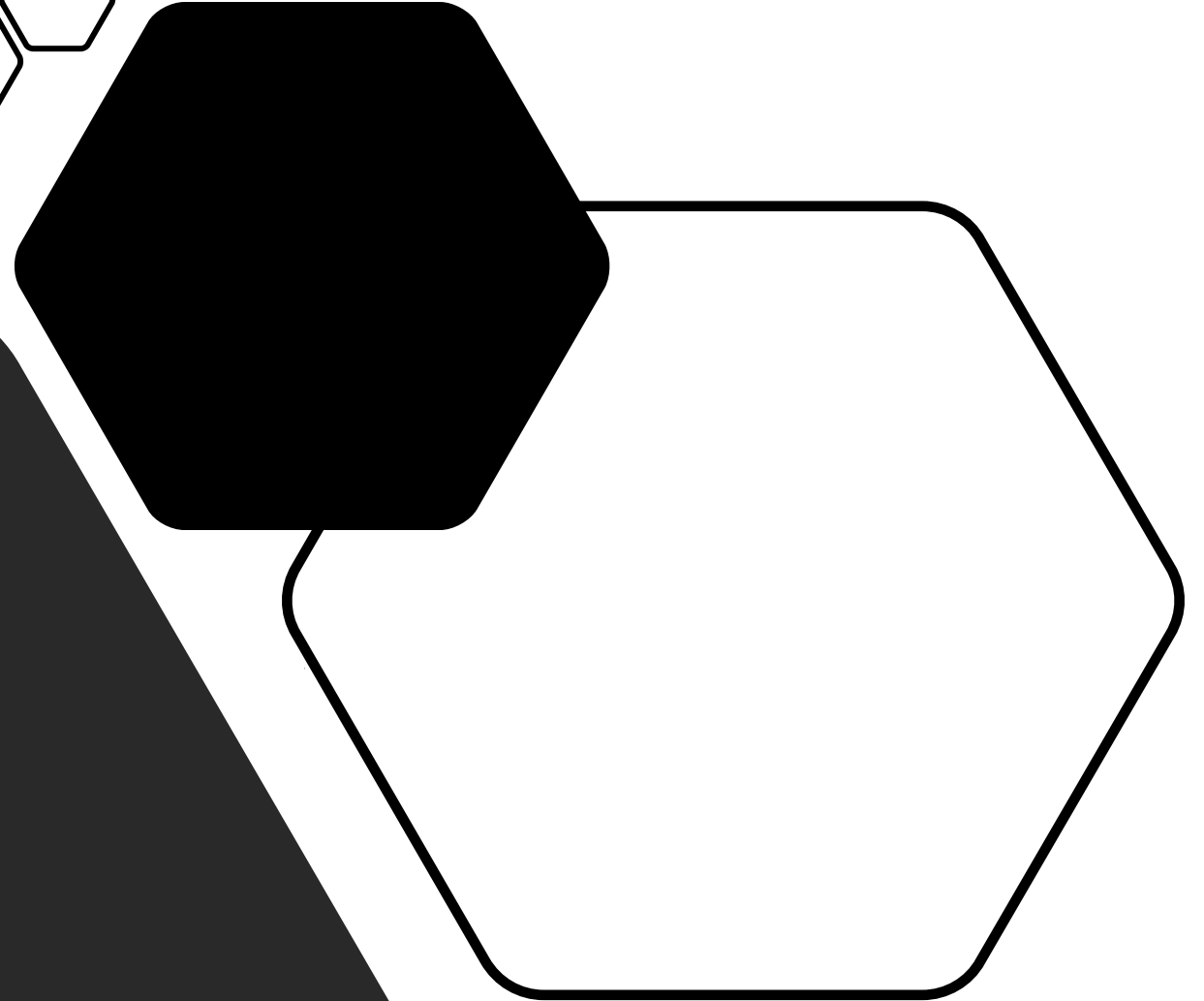
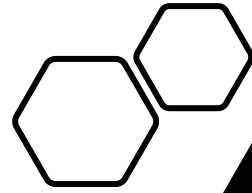
- ACC would refer reviews or disputes to independent reviewers, with multiple escalation steps where needed.
- The scheme would take appropriate action to collect levy payments, and to deter and respond to misrepresentation.

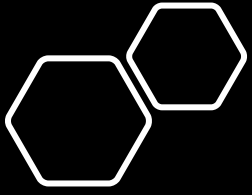
How would the scheme be funded? What would it cost?



- 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

New Zealand Government



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