



BRIEFING

Social Unemployment Insurance: Timing considerations for next phase

Date:	5 November 2021	Priority:	High
Security classification:	In Confidence	Tracking number:	2122-1608

Action sought		
	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Indicate if you would like to discuss the potential timeframes for the Social Unemployment Insurance work programme with officials	12 November 2021
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	Director, Employment, Skills and Immigration Policy	Privacy of natural persons	✓
Amy Hamerton	Principal Advisor, MBIE		

The following departments/agencies have been consulted

Minister's office to complete:

- Approved
- Noted
- Seen
- See Minister's Notes

- Declined
- Needs change
- Overtaken by Events
- Withdrawn

Comments



BRIEFING

Social Unemployment Insurance: Timing considerations for next phase

Date:	5 November 2021	Priority:	High
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Purpose

To provide you with an outline of the considerations relating to the timing of the Social Unemployment Insurance work programme.

Recommended action

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

- a **Indicate** if you would like to discuss the potential timeframes for the Social Unemployment Insurance work programme with officials.

Yes / No

Privacy of natural persons

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

5/ 11 / 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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Background

1. We have previously provided you with the following advice on the proposed timeframes for the social unemployment insurance work programme. Notably that advice set out the following timeframes for the work:
 - publication of the Discussion Document in late September/early October 2021
 - closing of the submissions on the Discussion Document in mid-December 2021
 - final policy decisions on the introduction of the scheme in March 2022
 - introduction of the legislation in August/September 2022
 - passage of the legislation in April 2023
 - scheme 'go live' in late May 2023.
2. The publication of the Discussion Document has been delayed due to the impacts of COVID-19. This delay has put further pressure on the already ambitious timeframe for the social unemployment insurance work programme. Given this, it is timely to consider the potential considerations for the development of a revised timeframe and the possible options for implementation timing.

Key considerations

3. Broadly, there are five dimensions to the social unemployment insurance work programme. These are:
 - publication of the Discussion Document and consultation
 - responding to the feedback raised in the consultation and final policy decisions
 - drafting of the legislation for introduction
 - passage of the Bill through the House
 - implementation and scheme build.
4. While some of the work can be done (and had been scheduled to be done under the current timeframes) concurrently, some stages to the work must run sequentially.

Minimum implementation periods

5. Both the legislative and implementation work cannot be commenced until policy decisions are finalised. Without a clear direction from Cabinet on the Government's policy position, the ambiguity about the scheme will likely mean that any work undertaken on the drafting or build of the scheme will need to be revisited once those decisions are finalised. Proceeding with implementation at the same time as the legislative process risks the need to remediate issues after implementation.
6. ACC will need a minimum of 14 months to build the systems to have the scheme 'go live' by May 2023. We note that even this timeframe is ambitious and some phasing will be required (to allow some functions to 'go live' by May 2023 while others take longer to bed in). The current focus for ACC is to set up the necessary systems to be able to assess and pay financial entitlements to people who make claims on the scheme. It is possible that the case management functions and potentially the levy collection functions may only be available later that year.

7. We note that to give most effect, many unemployment insurance schemes combine active and passive measures. Implementing functions such as case management at a later date risks that the scheme achieves sub-optimal outcomes for claimants.
8. This will mean that policy decisions on the basic design of the scheme will at a minimum be required by March 2022 to meet the May 2023 timeframes. A delay in the 'go live' date will allow some slippage in the final date for final cabinet policy decisions. A minimum of 14 months will still be required for any revised date to implement the basic functionality of the scheme. More comprehensive functionality would likely require between 20-24 months from the date of final policy decisions.

Consultation process

9. Under the current timeframes, it had been proposed that the consultation period was approximately 10 weeks and would conclude ahead of the Christmas holidays. Given both the significance of the proposal (both in terms of impacts on the labour market and direct costs), officials considered that this was a minimum period of time needed to allow the public to provide meaningful and informed feedback on the proposal. We note we had specifically proposed that the consultation period close ahead of the Christmas break. Should the consultation period traverse the traditional summer holiday period (mid-December 2021 to the last week of January 2022), it may be important to provide additional time for feedback to account for the closedowns and holidays that stakeholders will likely be taking.
10. Providing for such consultation timeframes would mean that if consultation began in early November 2021 it would have to run to late February 2022 (amounting to a total of 16 weeks, comprised of 10 weeks for consultation and 6 weeks for the closedown period). This would put significant pressure on the policy teams to assess the public feedback and provide updated advice to Ministers and Cabinet for final policy decisions. It is likely that the consultation will attract significant feedback. We expect that a minimum of six weeks to two months (depending on the scale of feedback) would be required to allow the team sufficient time to summarise and assess the feedback received and provide Ministers and SUIGG with updated advice on the proposed policy settings.
11. Ministers could choose to run the consultation for a shorter period (for example, a six week consultation period). A shorter consultation period could begin pre-Christmas (commencing in early November 2021 and close prior to Christmas or late January 2022) to account for the shutdown, or it could commence from early 2022.
12. A shorter consultation period is likely to impact on the quality and scale of feedback. It would also likely call into question the probity of the policy process. We note that the Skills and Employment Iwi Leaders Group has already provided feedback that the timeframes are not allowing for sufficient engagement with Māori. Such critiques are likely to be heightened if the consultation process is further shortened, including risks that the consultation process is seen to breach the Treaty of Waitangi resulting in claims to the Waitangi Tribunal.

Adjusting the legislative timeframes

13. As noted above, the legislative and implementation timeframes can be run concurrently (and this is the only option possible to enable a 'go live' date of May 2023). In this case, it is likely that all legislative stages (from drafting to passage) can be completed within the 14 month minimum implementation period. While there are options that Government could explore (for example, a shortened Select Committee process) to expedite this process, those options would not be needed if a 14-month window was allowed for the legislative process.

Options for timing of the social unemployment insurance work programme

14. At this stage, we have identified some options that Ministers may wish to consider. These options illustrate the various permutations that are open to Ministers (the attachment provides a

diagrammatic overview of the following options). Note that the following list of options is not exhaustive.

Option 1 – Proceed with broadly the current timeframe with a shortened consultation process

15. This option would involve:

- publication of the Discussion Document mid-November 2021
- closing of the submissions on the Discussion Document in late January 2021
- policy decisions on the introduction of the scheme in March 2022
- introduction of the legislation in August/September 2022
- passage of legislation in April 2023
- scheme 'go live' in late May 2023.

16. This option would keep the work programme on the current trajectory. The primary risk of this option (over and above the current timeframes) is that it is likely to compromise the quality of the feedback received and will likely attract significant criticisms from stakeholders about the process.

Option 2a – Delay the publication of the discussion document until 2022

17. Delaying the publication of the discussion document until 2022 would mean that Cabinet decisions will not be achieved by March 2022. This could be managed by shifting the 'go live' date out further.

18. While a delay in publication push back Cabinet decisions and the 'go live' date it would provide the time for meaningful public consultation and gaining the stakeholder buy-in to support an enduring scheme. We consider an enduring scheme is vital to realise the full benefits of the scheme over the longer term.

19. For example, this could involve:

- publication of the Discussion Document in late January 2022
- closing of submissions on Discussion Document in mid-April 2022
- policy decisions on the introduction of the scheme in June 2022
- introduction of the legislation in November 2022
- passage of the legislation in July 2023
- scheme 'go live' in August 2023.

Option 2b – Delay the publication of the discussion document until 2022 and allow more time for consultation

20. We note that this option may mean that the final decisions of the scheme fall in a pre-election period. Depending on the nature of the decisions needed at the time and the timing of the pre-election period, this may inhibit the Government from finalising the scheme at that point. This would likely mean that the 'go live' date for the scheme may have to be further delayed until December 2023 at the earliest. In that case, it may be useful to provide more time for the consultation on the Discussion Document (as the timeframes above are currently ambitious). Such a timeframe could look like the following:

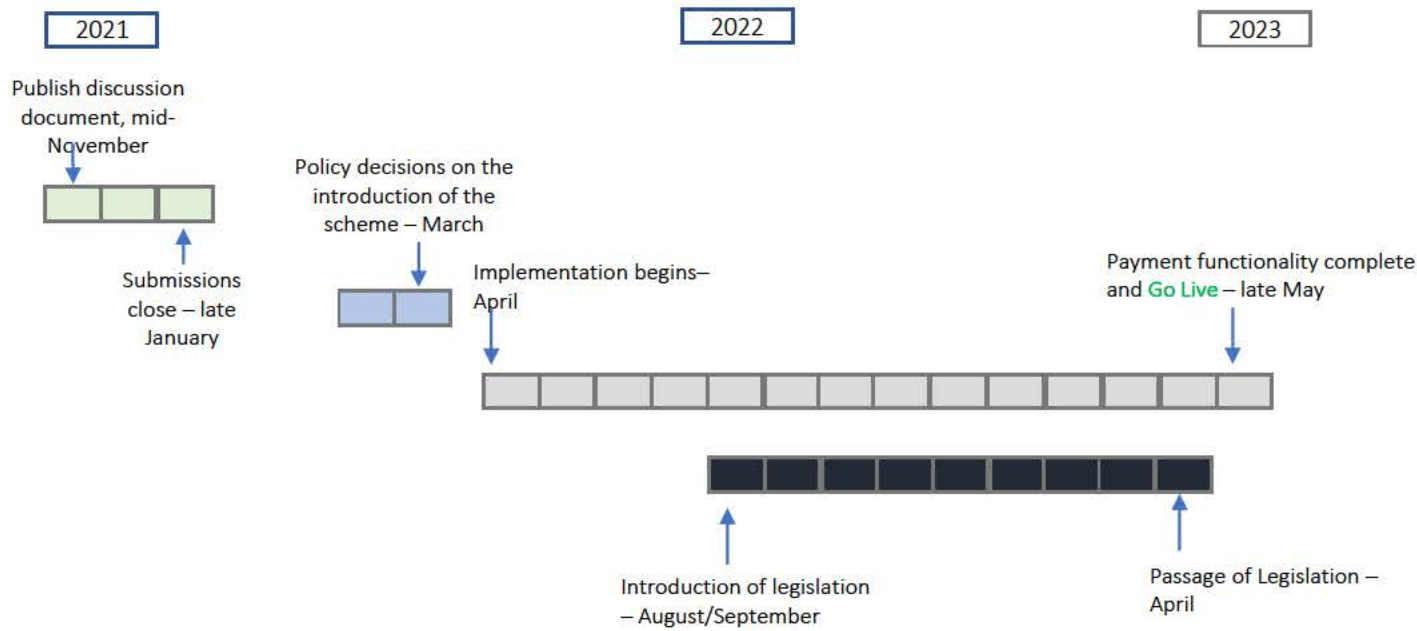
- publication of the Discussion Document in late January 2022

- closing of the submissions on the Discussion Document in late April 2022
- policy decisions on the introduction of the scheme in July 2022
- introduction of the legislation in December 2022
- passage of the legislation in August or December 2023 (depending on when Parliament rises)
- scheme 'go live' in December 2023.

Next steps

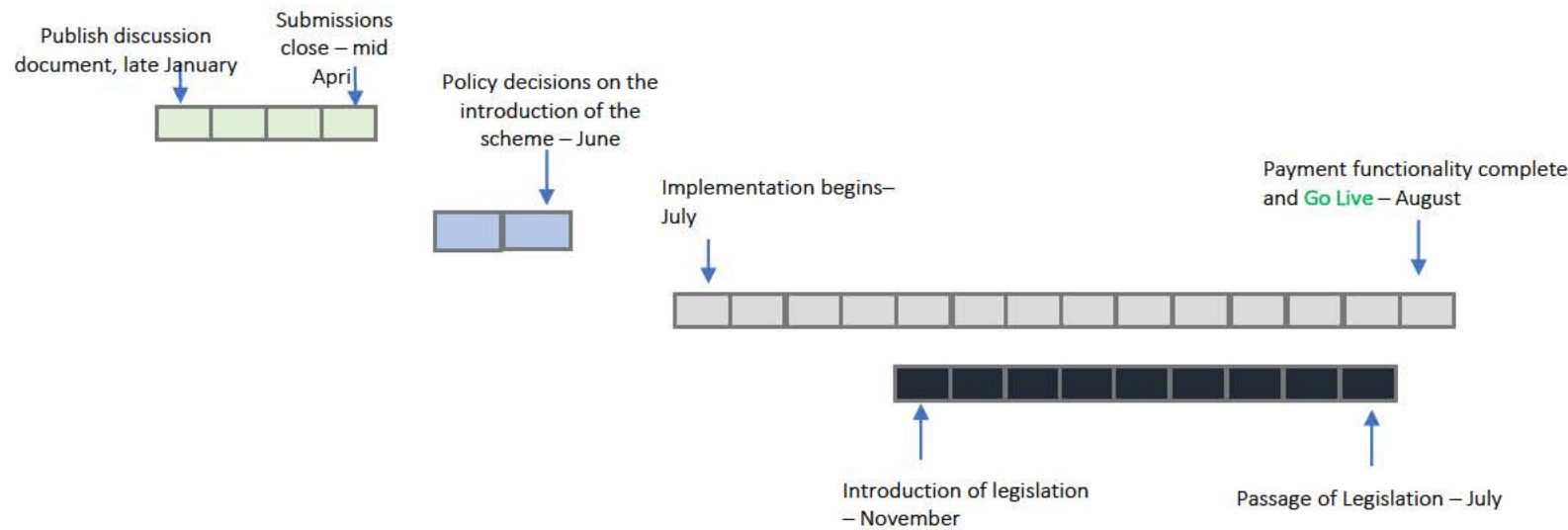
21. As noted, there are several other possible permutations to the proposed timeframes that can be explored depending on what Ministers wish to achieve. Officials seek feedback from Ministers on their preference on the overall timeframes for the social unemployment insurance work programme, and are available to discuss the timing further should Ministers wish.

Option 1 – Proceed with broadly current timeframe with shortened consultation process



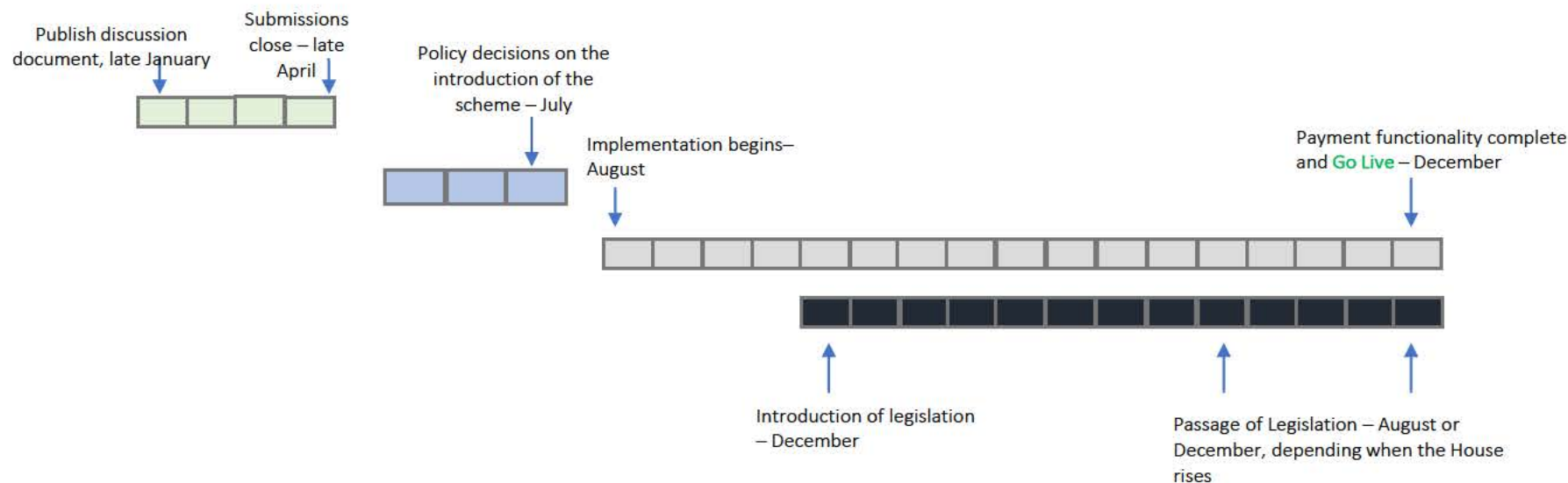
- Publication of Discussion Document – mid November 2021
- Closing of submissions on Discussion Document – late January 2021
- Policy decisions on the introduction of the scheme – March 2022
- Introduction of legislation – August/September 2022
- Passage of Legislation – April 2023
- Scheme go Live – Late May 2023

Option 2 – Delay the publication of the discussion document until 2022



- Publication of Discussion Document – late January 2022
- Closing of submissions on Discussion Document – mid April 2022
- Policy decisions on the introduction of the scheme – June 2022
- Introduction of legislation – November 2022
- Passage of Legislation – July 2023
- Scheme go Live – August 2023

Option 3 – Variation on option 2 (allowing more time for consultation and implementation)



- Publication of Discussion Document – late January 2022
- Closing of submissions on Discussion Document – late April 2022
- Policy decisions on the introduction of the scheme – July 2022
- Introduction of legislation – December 2022
- Passage of Legislation – August or December 2023 (depending on when Parliament rises)
- Scheme go Live – December 2023