



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Briefing for the Incoming Minister

Accident Compensation Portfolio

20 December 2016

This document has been proactively released. Redactions made to the document have been made consistent with provisions of the Official Information Act 1982.

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1. Portfolio overview

The Accident Compensation Scheme

New Zealand's accident compensation scheme (the scheme) is a key social and economic institution tasked with promoting injury prevention and providing rehabilitation and compensation entitlements to people who are injured so that they can return to normal life as quickly as possible.

There is broad buy-in from New Zealanders to the social contract that the scheme embodies. This social contract replaces civil actions for damages arising out of personal injury by accident, with a comprehensive no-fault scheme for people that are injured. The scheme is guided by the Woodhouse principles, which have endured over the scheme's 40 year history:

- community responsibility: the community shoulders an individual's loss when their ability to contribute to the general welfare by their work is interrupted by injury
- comprehensive entitlements: all injured people are entitled to a consistent level of assistance for a similar level of incapacity/need regardless of the causes which gave rise to their injury
- complete rehabilitation: injured people should be supported to achieve timely physical and vocational recovery
- real compensation: payment of income-related benefits for income losses for the period of incapacity and in recognition of permanent bodily impairment
- administrative efficiency: all aspects of the scheme should be managed in a timely, consistent and economical way.

While there is substantial support for the scheme, there are some areas of contention. Fundamentally, coverage and entitlements offered by the scheme must balance considerations of equity, societal expectations, and financial sustainability.

ACC has links with many other ministerial portfolios and it is important to consider the impact of the scheme and how it works in the broader context of the economy and the government's finances, its interface with the health system, and its contribution to health and safety through the government's wider injury prevention objectives.

The key Government portfolio commitment for this parliamentary term - levy reductions - has already been achieved. On 7 December 2016 the Acting Minister for ACC announced decisions on the 2016 levy round, which will take effect from 1 April 2017. The 2016 levy round was the first conducted following amendments made to the Accident Compensation Act 2001 (AC Act) in 2015. These amendments put in place a new process for levy setting. The amendments require ACC to recommend levies in line with a funding policy set by the Government. The Government then considers ACC's recommendations, and may

choose to diverge from the funding policy provided that the levies meet the principles of financial responsibility set out in the AC Act. The main principle is that the levied Accounts are to be fully funded.¹

The 2016 levy round was the first biennial levy round, so the next round is due to commence in 2018, to take effect from April 2019.

Other portfolio commitments are part of the ongoing work such as the implementation of the new funding policy (discussed below), a continued focus on injury prevention and initiatives to deliver fair, timely and cost-effective dispute resolution. ACC continues to action further improvement to systems and processes and MBIE is working on improvements that could be made to the regulatory framework itself to achieve greater efficiency and better outcomes for people. Stewardship of the Accident Compensation regulatory system is discussed in section 5 below.

Some high level policy considerations for the longer term ACC-related work programme include:

- Focusing on key priorities including reviewing the current review and appeal process and improving injury prevention performance in support of the government's 2020 target of reducing workplace injury by 25 per cent (e.g. by supporting ACC and WorkSafe in co-developing injury prevention plans).
- Ensuring the scheme remains fit for purpose over time: the scheme and legislative framework are sound. However, changes in operating context, for instance an aging population, changing demographics, technology and case law (e.g. pregnancy as a personal injury); continue to present new challenges and opportunities for the scheme. MBIE will work with ACC and Treasury over the next 12 months to address some of these emerging issues (details of this longer-term work are discussed in section 4 below).
- Balancing cover/entitlement with financial sustainability: a central policy consideration for the scheme is to ensure what it provides is financially sustainable. While individual changes to cover and entitlement can appear small in the short term, some changes can add up to create pressures on the scheme over time. MBIE is exploring a number of these issues e.g. working with the Ministry of Health to ensure cover provisions for clinical trials support broader regulatory outcomes.
- ACC is on a relatively secure financial footing: MBIE is working alongside Treasury and ACC to better understand underlying cost and performance drivers e.g. there have been increases in the number of people accessing weekly compensation, and the length of time people spend receiving weekly compensation. This work aims to ensure that policy and operational settings most effectively balance the scheme's rehabilitation outcomes with managing cost pressures.

¹ Section 166A of the AC Act provides that the costs of all claims under the levied Accounts are to be fully funded by meeting the outstanding claims liability in respect of the claims by offsetting an adequate level of assets to fund the cost of those claims

Scheme funding

Since 1999 the levied Accounts under the scheme have been operated on the fully funded principle. The scheme is funded through a combination of levies and government appropriation. ACC manages its funding under five separate Accounts which relate to where and how injuries occurred:

- The Work, Earners' and Motor Vehicle Accounts are funded through levies
- The Non-Earners' Account is funded from government appropriations, set via the Budget process
- The Treatment Injury Account is funded from contributions from the Earners' and Non-Earners' Accounts.

Table 1 outlines who contributes to each of the Accounts and the cover provided.

Table 1 – ACC Accounts

| Levied Account | Who funds it | What is covered |
|--------------------------|--|--|
| Work Account | Levies from Employers: based on wages paid to staff Levies from Self-employed: based on income earned | Work related injuries |
| Earners' Account | Levies from Employees: levy based on income earned Levies from Self-employed: levy based on income earned | Non-work injuries to people in employment |
| Motor Vehicle Account | Levies from Vehicle owners: funded through petrol use and motor vehicle licensing fees | Injuries that involve motor vehicles on public roads |
| Non-Earners' Account | Government appropriations, reviewed as part of the Budget process | Injuries to people not in employment (e.g. children, retired people), excluding Motor Vehicle Account injuries |
| Treatment Injury Account | Contributions from the Earners' and Non-Earners' Accounts | Medical treatment related injuries |

2. Responsibilities within the portfolio

Portfolio functions and responsibilities

The role of the Minister for ACC

The Minister for ACC is responsible for the strategic policy framework, legislation and regulations which give shape to the scheme.

Specific responsibilities of the Minister for ACC include:

- developing proposals to improve the policy framework of the scheme, as set out in the AC Act and related regulations. MBIE assists in administering the AC Act and advising on legislative and regulatory change.
- undertaking consultation with the public or specific stakeholders before making regulations, depending on the nature of the regulations being considered. In most cases MBIE is the appropriate agency to undertake this consultation on behalf of the Minister (eg. on the levy framework). In some instances, however, the legislation requires ACC to consult (eg. on levy rates).
- considering recommendations on levy rates to fund the Work, Earners' and Motor Vehicle Accounts, and making recommendations to Cabinet for their implementation by regulation.
- making recommendations on Budget appropriations to fund the Non-Earners' Account, which are implemented through the annual Budget processes. MBIE is responsible for administering the appropriations, and advising the Minister for ACC on the appropriateness of ACC's estimation of its required appropriation.

The role of the Associate Minister for ACC

The Associate Minister for ACC is currently delegated the responsibility for all matters in respect of ACC operations relating to individual client concerns. The Associate Minister may be delegated other initiatives as agreed from time to time.

Ministerial responsibilities under the Crown Entities Act 2004 and Public Finance Act 1989

ACC is a Crown Agent, governed by the AC Act and the Crown Entities Act 2004. The Minister for ACC has responsibilities under the Crown Entities Act 2004 for the overall performance of the ACC. The Minister for ACC exercises this responsibility through the relationship with the ACC Board and, in particular, the Chair of the Board.

Specific Ministerial responsibilities include such functions as providing the Letter of Expectations to the Board, monitoring the ACC's financial and non-financial performance against key performance measures and targets set out in the Statement of Intent and the Service Agreement, and making appointments to the ACC Board. As Treasury is the monitoring agency, more detail on these functions is provided in Treasury's briefing.

The Minister for ACC is also a shareholding Minister for the Crown Company FairWay Resolution Limited (FairWay). FairWay is an independent Crown-owned company listed in Schedule 4A of the Public Finance Act 1989. FairWay provides specialist complaint management and dispute resolution services in New Zealand and is the main provider of independent dispute resolution for the scheme. In recent years FairWay has diversified its services to include dispute resolution services for the telecommunications, financial services and real estate sectors, and most recently family dispute resolutions.

The other shareholding Minister is the Minister of Finance. Treasury as monitoring agency provides advice on matters relating to FairWay.

The role of MBIE

The Accident Compensation Policy team is in the Labour and Immigration Policy branch of MBIE. The branch provides policy advice to Government on skills and employment, employment relations and standards, immigration, and health and safety at work, and is a part of MBIE's Labour, Science and Enterprise group. The Labour, Science and Enterprise group works with people, businesses, regions, and the science, innovation and education sectors to help the country and New Zealanders to be successful.

MBIE is responsible for advising the Minister for ACC on matters relating to the scheme and legislation and regulations governing the scheme. MBIE administers the appropriation for the Crown funded Non-Earners' Account. Annex 3 provides an MBIE organisational chart of people that support the Minister for ACC.

The role of ACC

ACC is responsible for operating the scheme, focusing on its effective and efficient delivery.

The division of responsibility between MBIE and ACC reflects ACC's status as a Crown Agent and allows ACC to focus on the effective and efficient delivery of the scheme. This leaves the Minister and MBIE to focus on the scheme's legislative framework, broader direction, and balancing scheme interests and the interests of claimants, providers and levy payers.

MBIE and ACC have a close working relationship in order to ensure the scheme operates effectively.

The role of Treasury

Treasury and MBIE work together to identify where policy opportunities may exist as a result of changing trends in performance, and particularly, to provide advice on levy setting and the Non-Earners' appropriation. Treasury's Health and ACC team also provides policy advice directly to the Minister of Finance.

The Treasury represents the Crown's ownership interests in ACC, and advises the Minister of Finance and Minister for ACC on ACC's performance and governance. Advice on performance and governance of ACC's Investment function (as a Crown Financial Institution) is provided to the Minister of Finance. The Treasury supports the Board appointment and evaluation process, the annual performance cycle, and strategic and performance analysis. It also monitors and reports to the Minister for ACC and Investment Ministers on the Transformation Programme.

3. March 2017 actions and decisions

This section outlines decisions you will likely be asked to make in the coming three months. A list of anticipated briefings during this period can be found in Annex 1.

Levy Regulations

In December 2016, the Government agreed and announced levy rates and other levy related policy for the 2017/18 and 2018/19 levy years. Key decisions are outlined in the table below.

| | Earners' Account Average levy rate per \$100 of liable earnings (excl. GST) | Work Account Average levy rate per \$100 of liable earnings (excl. GST) | Motor Vehicle Account Average levy per vehicle |
|---------------------------------------|--|---|---|
| 2016/17 rates | \$1.21 | \$0.80 | \$130.26 |
| 2017/18 and 2018/19 rates | \$1.21 | \$0.72 | \$113.94 |
| Percentage change | No change | 10% reduction | 12.5% reduction |
| Levy reduction (per annum) | \$126.2m | | |

Levy regulations need to be made to give effect to these decisions. The timing of this is as follows:

- Now – MBIE and PCO developing regulations and associated Cabinet LEG papers.
- Mid-February 2017 – seek decisions from LEG committee on making regulations to implement Work and Earners' Account levy decisions. These regulations must come into force at the start of the levy year (1 April 2017).
- Mid-April 2017 – seek decisions from LEG committee on making regulations to implement Motor Vehicle Account levy decisions. These regulations must come into force at the start of the Motor Vehicle Account levy year (1 July 2017).

Non-Earners' Account s 9(2)(f)(iv)

s 9(2)(f)(iv)

Additional funding for the NEA is counted against the Budget operating allowance, or otherwise increases core Crown net debt – one of the Government’s key fiscal targets. This means a decision to increase NEA funding needs to be traded off against other spending priorities. Because the NEA has positive reserves, it is able to draw down its reserves to meet costs in the short and medium term, even without a funding increase. s 9(2)(f)(iv)

s 9(2)(f)(iv)

MBIE will advise you in March 2017 on proposals for a new funding policy for the NEA, which will need to be agreed by Cabinet by July 2017 to inform ACC’s calculation of its funding request for Budget 2018.

Treatment funding

Annual review of the Cost of Treatment Regulations

ACC pays or contributes towards the cost of ACC defined treatment providers (e.g. GPs, physiotherapists, nurses) for providing treatment to ACC claimants. Treatment providers that do not enter into an individually negotiated contract are paid at a standard rate (dependent on the service provided). These rates are specified in the Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003 (Cost of Treatment Regulations) and the Accident Compensation (Apportioning Entitlements for Hearing Loss) Regulations 2010 (Hearing Loss Regulations).

ACC is required to review the rates in the Cost of Treatment Regulations and the Hearing Loss Regulations annually, taking into account cost increases for rehabilitation. In response to the 2015, review the amounts specified in the Cost of Treatment Regulations was increased by 2.22% and the Hearing Loss Regulations did not change.

ACC has provided advice to the Minister for ACC’s office with the recommendation for the 2016 review. s 9(2)(f)(iv)

During the 2016 annual review of the Cost of Treatment Regulations public consultation was carried out. Submissions received said that the Cost of Treatment Regulations are inflexible, do not allow for modern health workforce practices, and do not allow for innovative methods of health care.

s 9(2)(f)(iv)

Recommendations from the Independent Review of Acclaim Otago's report into Accident Compensation Dispute Resolution Processes

Last year, on behalf of the previous Minister for ACC, MBIE commissioned an Independent Review by Miriam Dean QC into Acclaim Otago Ltd's² report into Accident Compensation Dispute Resolution Processes (Independent Review). In September 2016 Cabinet approved a government response to the recommendations outlined in the Independent Review's report.

The majority of the recommendations in the Independent Review's report concern operational processes related to ACC and FairWay. Both entities are already making progress in some areas of concern. In addition, ACC is working with the relevant sectors on the need for a national advocacy service and the issues raised in the Independent Review about access to medical evidence.

A report back to Cabinet on the recommendations is due in March 2017. A progress report was provided to the Minister for ACC's office on 15 December 2016. A copy of the Miriam Dean report and the progress report is provided [briefing 1759 16-17 refers].

Safety Star Rating Injury Prevention Initiative

The Safety Star Rating (SSR) initiative is an injury prevention activity being developed jointly by WorkSafe, ACC and MBIE. The SSR initiative was originally commissioned as part of the Government's Working Safer Reform package.

Following a pilot and evaluation of the tool, WorkSafe, ACC, and MBIE officials are working on a proposed approach to utilising the tool under the joint ACC WorkSafe Reducing Harm in NZ Workplaces Action Plan.

s 9(2)(f)(iv)

Officials will test the planned use of the tool with the WorkSafe and ACC Boards in the New Year, with a view to then briefing you in March or April 2017.

² Acclaim Otago Ltd is an organisation advocating for ACC clients.

4. Beyond March 2017 actions and decisions

Regulatory Systems Bill (2)

Regulatory Systems Bills (RSB) are omnibus bills that provide a vehicle for regular technical improvements to legislation. They are intended to maintain the effectiveness and efficiency of regulatory systems and can include policy changes that involve continuous improvement of, or repairs and maintenance to, regulatory systems, but not significant policy changes.

Policy proposals for the second round of MBIE Regulatory Systems Bills were recently considered and approved by Cabinet. There are five amendments to the AC Act included in the approved proposals. The policy proposals are:

- s 9(2)(f)(iv)

- **Superannuation and surviving spouse weekly compensation:** following a declaration by the Human Rights Review Tribunal, Cabinet agreed in principle to amend the AC Act to allow superannuitants to receive both New Zealand superannuation and weekly compensation as a surviving spouse for the full five year weekly compensation eligibility period [CAB-15-MIN-0149 refers]. This will ensure consistency and fairness between entitlements received by surviving spouses regardless of age.

- **Review of cost of treatment regulations:** Currently the AC Act requires ACC to conduct an annual review of the amounts prescribed in ACC cost of treatment regulations. The amendment will allow ACC to review payment amounts biennially and will result in greater regulatory efficiency.

- **Minor amendment to improve workability of biennial levy rounds:** in order to improve the administration of the biennial levy rounds this amendment would expressly authorise the automatic indexation of minimum and maximum earnings on which levies are payable in the Work and Earners' Accounts. This will enable continuation of current policy where these amounts are updated in line with annual movements in the Labour Cost Index and the minimum wage respectively.

- **Disestablishment of the Accident Compensation Appeal Authority:** this proposal will disestablish the historic Accident Compensation Appeal Authority (the Authority). After this all cases will be heard by the District Courts. Maintaining a separate Authority is no longer cost effective given the low number of appeals to the Authority. Appeal to the District Courts will maintain the substantive rights of clients.

Drafting instructions will be prepared in April 2017, and the Bill will be released as an exposure draft in August 2017.

Registered Health Professionals and Treatment Providers

Injuries caused by registered health professionals during treatment are subject to the treatment injury provisions under the AC Act. Treatment providers can also provide and be paid for treatment to ACC claimants. A patient who suffers an injury caused by a registered health professional as defined under the AC Act is eligible for ACC treatment injury cover.

s 9(2)(f)(iv)

Overseas treatment s 9(2)(f)(iv)

Currently people are unable to access overseas treatment because ACC is not authorised to fund such treatment, although ACC can fund specialists to be brought into New Zealand for client s 9(2)(f)(iv)

Motor Vehicle Account review

Transport technologies are rapidly evolving, and are changing injury risks and costs for ACC's Motor Vehicle Account. For example, an interim measure has been implemented to ensure hybrid electric vehicles are levied appropriately for the coming levy period, however, there are broader challenges facing Motor Vehicle Account funding.

MBIE is working with ACC and Transport agencies on a broader review of the levy framework for the Motor Vehicle Account to ensure it is fit for accommodating the changing face of New Zealand's vehicle fleet. We would look to develop a framework that ensures funding of that account is dependable and fairly reflects the evolving risks and power modes in the fleet over time, reflecting key principles of the ACC scheme.

Review of clinical trial provisions

The Accident Compensation scheme does not cover injuries relating to the participation in commercial medical clinical trials. Instead, there is an expectation that clinical trial sponsors (e.g. pharmaceutical companies) and companies conducting the trials provide any necessary remedies to people that suffer unforeseen injuries resulting from participation, at a level broadly comparable to ACC.

We are working with the Ministry of Health to identify ways in which clinical trials approvals and expectations attached to clinical trials can be improved to ensure the overall system proportionately manages risk, and is coherent and clear for industry and the public.

Officials expect to report to you by mid-2017 with any proposals for improvements to the Health and ACC settings.

Other priority areas

Management of cost pressures

The recent Cabinet paper on the 2017/18 and 2018/19 levies noted that worsening claims experience is putting upward pressure on levies (the number of claims and the average cost of those claims) and that moderate increases in claims costs are expected to continue, albeit at lower levels than recent experience. It also notes that work would be done to consider opportunities to improve management of cost pressures through ACC's claims management, market influence and purchasing behaviours, as well as policy settings (both regulatory and operational). s 9(2)(f)(iv)

We will work with Treasury and ACC to ensure that policy and operational choices effectively manage cost pressures in the scheme while ensuring the rehabilitation outcomes are met. s 9(2)(f)(iv)

Review of the regulations made under the AC Act

Currently the AC regulatory system as a whole is in a good state. However, a full review of the regulations will ensure that they are fit for purpose, not out-of-date or obsolete and continue to support the scheme and ACC to operate as efficiently and effectively as possible. We will update you as this work progresses.

Strategic direction of the scheme

ACC shares a large number of clients and also has a number of boundary interactions with different parts of the health and social sectors. Many of those people covered by ACC's Non-Earners' Account (including people with disabilities, children, superannuitants, students and those on benefits) also interact with the health and social sectors.

MBIE will work with ACC and Treasury to identify and address some of these emerging issues, for instance the aging population, interface with the health sector (e.g. cover for non-work related asbestos diseases) and issues that have arisen as a result of case law (e.g. pregnancy as a personal injury and the DePuy³ appeal).

³ The DePuy class action relates to the failure of ASR hip replacements manufactured by DePuy. The case centres on whether or not ACC clients can sue overseas companies for compensatory damages in the New Zealand courts. The plaintiffs are now appealing against the High Court's decision of 20 October 2016 that the plaintiffs' claim for compensatory damages is barred by section 317(1) of the Accident Compensation Act 2001.

5. Stewardship of Regulatory Systems

The Government expects government departments to invest in maintaining the quality of the regulation they are responsible for in a similar way to other key assets which departments are responsible for. To help achieve this, in 2013 the State Sector Act was amended to make chief executives of departments explicitly responsible for the stewardship of the legislation administered by the department.

Cabinet has subsequently provided guidance to departments on what stewardship means. Among other things, stewardship involves taking a long term view, to ensure that regulation is fit for purpose in the future, and being able to accurately assess the fitness for purpose of regulation. It means focussing on the implementation of regulation as well as policy.

MBIE has developed a programme of work to meet its regulatory stewardship obligations. The work includes periodic assessments of each MBIE regulatory system, to help ensure that MBIE has a good understanding of its fitness for purpose even where a major policy review hasn't recently been undertaken. It also includes the development of regulatory charters for many MBIE systems, so that the roles and responsibilities of the various participants in each system are clear.

MBIE's regulatory stewardship programme also devotes resources to building skills and capability which are relevant to all, or most, of its regulatory systems. These initiatives include leading a cross-agency collaboration to improve the qualifications of regulators, and sponsorship and housing of the recently established Government Centre for Dispute Resolution.

An important part of regulatory stewardship is timely updating of legislation to keep pace with new technology and changing business and social circumstances. MBIE has developed Regulatory Systems Bills to meet this need. These Bills enable technical amendments to be made to multiple MBIE statutes as a package. The first is currently proceeding through Parliament.

In 2015, the Government asked seven of the main regulatory departments to publish regulatory management strategies outlining the current state of the regulation each department is responsible for, and the department's plans for amendments to regulation and new regulation. MBIE's first Regulatory Management Strategy was published in August 2016. It describes MBIE's regulatory stewardship programme in more detail. The strategy will be updated each year.

MBIE is the steward of 16 regulatory systems, including the accident compensation regulatory system, and the regulatory systems in your other portfolios (immigration, employment relations and standards, and health and safety at work).

The accident compensation regulatory system removes the ability to sue for personal injury and substitutes New Zealand's accident compensation regime. The regulatory system includes coverage of injuries, entitlements to compensation and the provision of treatment, decisions and review of decisions, management of the scheme and setting and collection of levies, management of injury-related information, and the accredited employer regime and other aspects of the scheme.

6. Major links with other portfolios

Development of a Work Health and Safety Strategy

The Health and Safety at Work Act requires the Minister for Workplace Relations and Safety to make reasonable efforts to publish a Health and Safety at Work Strategy (the Strategy) by April 2018. The Strategy will set out the Government's overall direction in improving the health and safety of workers, and identify any significant issues relating to the capacity or capability in the work health and safety system and any plan for addressing those issues.

The strategy will be developed jointly by MBIE and WorkSafe. The development process must involve consultation with stakeholders and with regulatory agencies (currently the CAA, New Zealand Police, New Zealand Transport Agency, Maritime New Zealand, EPA, local authorities, New Zealand Fire Service, medical officers of health, Ministry of Health and ACC).

ACC is an important participant in the Health and Safety system through its injury prevention work. The joint WorkSafe and ACC Harm Reduction Action Plan is a recent example of collaboration between WorkSafe and ACC. The Strategy must take account of ACC's injury prevention priorities and is an opportunity to ensure that collaboration between ACC and WorkSafe continues to work well.

TerraNova Care and Support Negotiations

In parallel to the Joint Working Group on Pay Equity, the Government started negotiations over pay rates for about 50,000 workers in aged and disability residential care, and aged and disability home and community services. These negotiations are underway and the parties are working constructively towards a negotiated settlement.

s 9(2)(f)(iv)

Understanding the impact of the changing nature of work and employment on the scheme

There has been significant international and local debate about how work is changing, or may change, in response to several converging trends (technological change, globalisation and demographic change). Alongside other SSW agencies, MBIE has been investigating what these trends might mean for the welfare, education and employment regulatory systems.

This work is focused on:

- Augmenting our existing evidence on New Zealand labour market trends

- Building our understanding of the potential implications of technology, demography and globalisation for New Zealand
- Identifying whether there are policy or regulatory areas that may need to be future-proofed to deal with a range of possible future outcomes (while keeping in mind that a policy response may not be necessary at this time).

Although we have not yet seen major evidence of change in the New Zealand labour market, it is prudent to continue to test whether our policy and regulatory settings are robust enough to respond to a range of different possible future outcomes. Our settings will need to continue to support flexible labour market settings, ease transitions and reduce barriers to innovation, while continuing to provide basic protections and standards. Going forward, thought will need to be given to the impacts of these trends on the scheme.

Further information on labour market issues is contained in Annexes 5 and 6.

Accident compensation and the labour market

MBIE’s current work programme includes research on labour market outcomes of people that have been supported by ACC to understand how people can be best supported into sustained work, and contributes to the Government’s Better Public Services goals.

The ACC appropriation contributes to MBIE’s *Grow New Zealand for all* outcome and supports a cost effective injury compensation and rehabilitation system that minimises the costs and other impacts of injuries on individuals and the labour market by:

- reducing fiscal impact, which in turn contributes to a more supportive and dynamic business environment
- helping people to better realise their potential, and New Zealand to realise the best from its human capital, which in turn contributes to an increased number of highly skilled people and innovative firms
- supporting families and communities of those that are injured, which in turn contributes to more productive and prosperous sectors, regions and people.

Table 2 – links to other portfolios

| Portfolio | Link with the Accident Compensation portfolio |
|--------------------------------|--|
| Workplace Relations and Safety | ACC, WorkSafe and MBIE work together on injury prevention initiatives, such as the Safety Star Rating Initiative to help reduce the severity and incident of injuries in the workplace. WorkSafe and MBIE are working on a Health and Safety at Work Strategy which is being developed in partnership with stakeholders, including ACC, and will take account of ACC’s injury prevention priorities. ACC and WorkSafe are also working in partnership on the Harm Reduction Action Plan. |

| Portfolio | Link with the Accident Compensation portfolio |
|--------------------|--|
| Regulatory Reform | This portfolio has overview of Regulatory Systems performance work programme and whole of Ministry initiatives, including the Regulatory Systems Bills (RSB). Individual portfolio Ministers retain policy responsibility for the contents of the Bill within their portfolios. A number of proposals to amend the AC Act to maintain the effectiveness and efficiency of the scheme are to be included in the next RSB round which are intended to be introduced in 2017. |
| Transport | MBIE and ACC are investigating, in consultation with the Ministry of Transport and the New Zealand Transport Agency, opportunities to improve the Motor Vehicle levy framework (including for electric vehicles and dual fuel vehicles such as plug-in hybrid electric vehicles, as well as vehicles using other emerging technologies). |
| Emergency Services | MBIE advises on funding choices and high level policy settings and objectives regarding ambulance services. Operational policy is co-managed by ACC and the Ministry of Health. |
| Social Development | ACC shares a large number of clients and also has a number of boundary interactions with different parts of the social sector, for example people with disabilities, children and superannuitants. |
| Finance | MBIE works alongside Treasury and ACC to better understand underlying cost and performance drivers, for example through the Budget 2017 process and levy setting, so that we can identify where policy changes may be needed. Treasury also has the role as monitor of ACC which helps to inform policy settings. |
| Justice | The Ministry of Justice and MBIE are working together in partnership with FairWay and ACC to improve the accident compensation dispute resolution system for ACC clients |
| Health | ACC and health sector agencies are working together to reduce the incidence and severity of patient injuries, such as falls while in care and treatment injuries. The success of these initiatives should decrease costs over the medium-long term and improve patient safety across the health system. MBIE is working with the Ministry of Health to improve and clarify the regulations and ACC cover provisions relating to clinical trials and overseas treatment. |

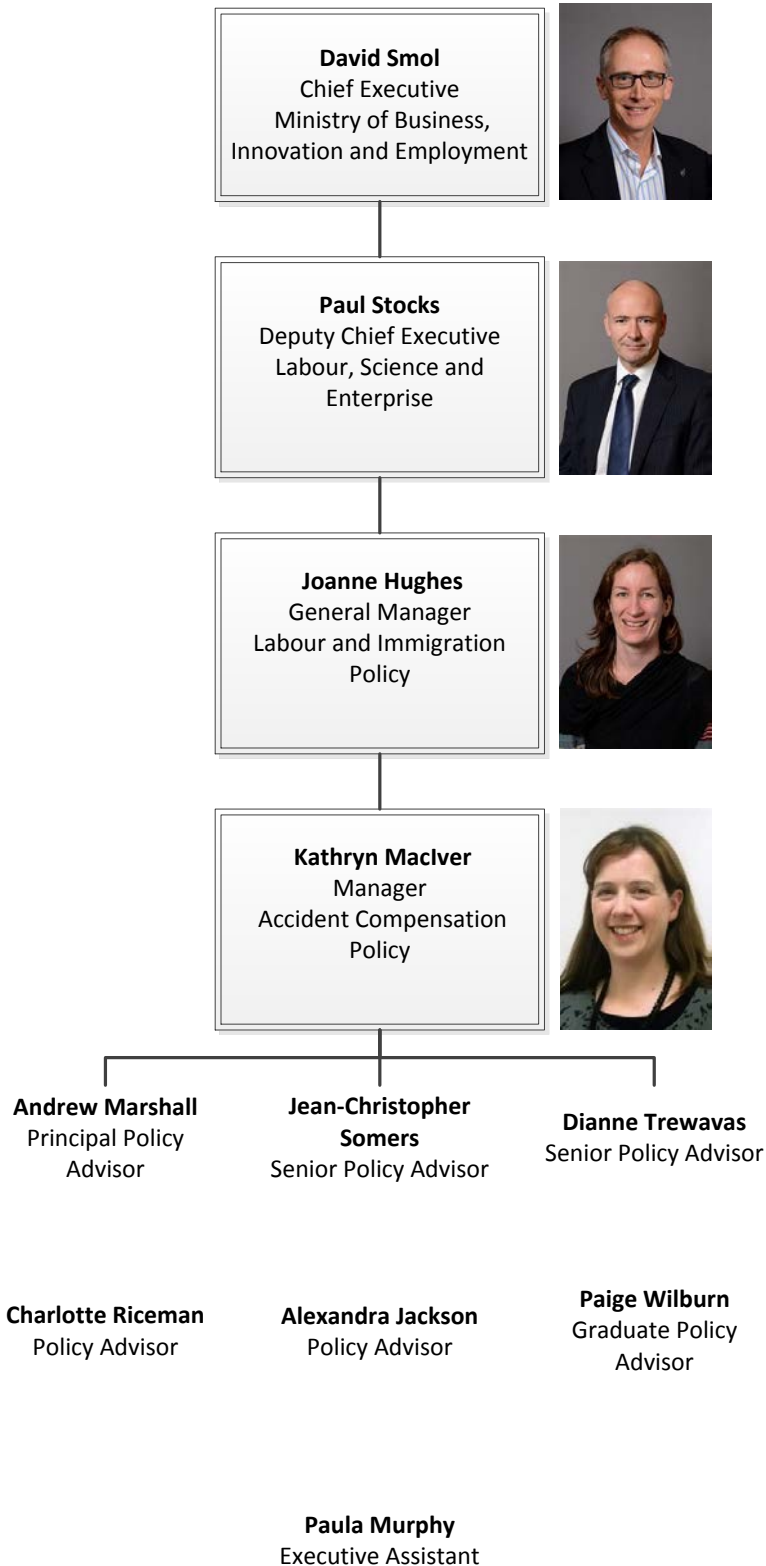
Annex 1: List of upcoming briefings

| Timing | Issue | Type of decision for Minister | Agency Lead |
|---------------|---|---|--|
| February 2017 | Registered health professional and treatment providers s 9(2)(f) (iv) | Agree to go to Cabinet | Kathryn Maclver |
| February 2017 | s 9(2)(f)(iv) | s 9(2)(f)(iv) | Kathryn Maclver |
| February 2017 | Non-Earners Account funding | Supporting material for meeting with Minister of Finance | Kathryn Maclver |
| February 2017 | Regulations to implement Work and Earners' Account levy decisions | Agree to go to Cabinet | Kathryn Maclver |
| March 2017 | Report back to Cabinet on the recommendations from the Independent Review of Acclaim Otago's report into Accident Compensation Dispute Resolution Processes | Agree to go to Cabinet | Kathryn Maclver |
| March 2017 | Proposals for a new funding policy for the NEA | Agree to go to Cabinet | Kathryn Maclver |
| March 2017 | Safety Star Rating Injury Prevention Initiative | Note ACC and WorkSafe Board proposed approach to Initiative | Jo Hughes (MBIE) / Gaye Searancke (ACC)/Phil Parkes (WorkSafe) |

Annex 2: Key stakeholders

| Crown Entities and Other Related Bodies | |
|---|--|
| ACC | Chair: Paula Rebstock Chief Executive: Scott Pickering |
| WorkSafe NZ | Chair: Gregor Coster Deputy Chair: Ross Wilson Chief Executive: Nicole Rosie |
| Worker/Union | |
| Council of Trade Unions | President: Richard Wagstaff Secretary: Sam Huggard |
| Other Business Stakeholders | |
| New Zealand Law Society Accident Compensation Committee | Convenor: Don Rennie |
| Business Leaders' Health and Safety Forum | Chair: George Adams Executive Director: Francois Barton |
| Business New Zealand | Chief Executive: Kirk Hope |
| New Zealand Association of Accredited Employers | President: Carl Stent |

Annex 3: Organisational Chart - Accident Compensation Policy



Annex 4: Relevant legislation and regulations

Accident Compensation Act 2001

The purpose of the AC Act is to enhance the public good and reinforce the social contract represented by the scheme by providing for a fair and sustainable scheme for managing personal injury that has, as its overriding goals, minimising both the overall incidence of injury in the community, and the impact of injury on the community (including economic, social, and personal costs), through—

- establishing as a primary function of the Corporation the promotion of measures to reduce the incidence and severity of personal injury
- providing for a framework for the collection, co-ordination, and analysis of injury-related information
- ensuring that, where injuries occur, the Corporation's primary focus should be on rehabilitation with the goal of achieving an appropriate quality of life through the provision of entitlements that restores to the maximum practicable extent a claimant's health, independence, and participation
- ensuring that during their rehabilitation claimants receive fair compensation for loss from injury, including fair determination of weekly compensation and, where appropriate, lump sums for permanent impairment
- ensuring positive claimant interactions with the Corporation through the development and operation of a Code of ACC Claimants' Rights
- ensuring that persons who suffered personal injuries before the commencement of the AC Act continue to receive entitlements where appropriate.

Under section 166B of the AC Act the Minister must issue a funding policy statement. This is attached for your information.

Regulations made under the *Accident Compensation Act 2001*

| Regulation | Description |
|---|---|
| <i>Accident Compensation (Apportioning Entitlements for Hearing loss) Regulations 2010</i> | Sets out ACC payments to claimants for hearing devices, assessments, repairs and fittings. |
| <i>Accident Compensation (Earnings' Levy) Regulations 2014</i> | Details the ACC levy to be paid by workers. |
| <i>Accident Compensation (Experience Rating) Regulations 2014</i> | Provides for an experience rating system for businesses based on ACC claims made by a business, which may result in an increase or decrease in the Work Account levy paid by that business. |
| <i>Accident Compensation (Liability to Pay or Contribute to Cost of Treatment) Regulations 2003</i> | Sets out payments to be made for treatment to health providers such as GPs and physiotherapists on behalf of claimants. |
| <i>Accident Compensation (Motor Vehicle Account Levies) Regulations 2013</i> | Details ACC levy to be paid by motorists including motorcyclists. |
| <i>Accident Compensation (Work Account Levies) Regulations 2014</i> | Details the ACC levy to be paid by businesses. |

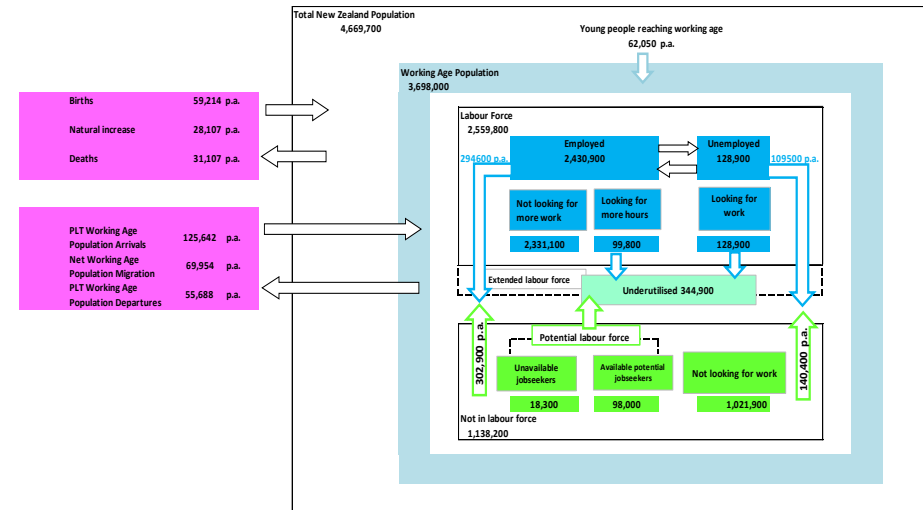
| Regulation | Description |
|--|---|
| <i>Accident Compensation (Ancillary Services) Regulations 2002</i> | Sets out payments and payments conditions for services ancillary to treatment such as transport and pharmaceuticals. |
| <i>IPRC (Applications to Determine Previous and Subsequent Injury Entitlements) Regulations 2003</i> | Provides for disputes between ACC and a private insurer over who is liable for payment of entitlements for a subsequent injury (an injury that occurs as a result of a previous injury) to be heard in the District Court. From the period of scheme competition. |
| <i>IPRC (Code of ACC Claimants' Rights) Notice 2002</i> | Approves the ACC Code of Claimant' Rights. The Code sets out the service level a claimant should expect from ACC. |
| <i>IPRC (Indexation) Regulations 2002</i> | Details a method of calculating inflation increases for a range of entitlements. |
| <i>IPRC (Interest Rate for Late Payment of Levies) Regulations 2002</i> | Provides for a method of calculating interest for the late payment of any levy. |
| <i>IPRC (Lump Sum and Independence Allowance) Regulations 2002</i> | Details a method for assessing eligibility for a lump sum or independence allowance. Also includes a scale for the payment of lump sums. |
| <i>IPRC (Occupational Diseases) Order 2007</i> | Adds additional diseases to Schedule 2 of the <i>AC Act</i> . Schedule 2 sets out the diseases that are considered to be likely to be work-related and therefore eligible for accident compensation entitlements as a work-related gradual process disease or infection (WRGPDI). |
| <i>IPRC (Public Health Acute Services) Regulations 2002</i> | Defines public health acute services for the purpose of calculating the payment to be made to the Crown by ACC for treatment of claimants in the public health system. |
| <i>IPRC (Refund of Fuel Levy) Regulations 2003</i> | Sets out a process for claiming a refund on payment of the ACC levy on petrol where the petrol is used for specified purposes. A refund rate is specified. |
| <i>IPRC (Review Costs and Appeals) Regulations 2002</i> | Provides for the award to the applicant of legal costs and other expenses on review and the rules for appeal to the District Court. |
| <i>Accident Insurance ("Counsellor") Regulations 1999</i> | Prescribes the organisations a "counsellor" must belong to before ACC will pay for treatment of a claimant by that counsellor. |
| <i>Accident Insurance (Insurer Returns) Regulations 1999</i> | Provides for private insurers to make statistical returns for the period of accident compensation competition. |
| <i>Accident Insurance (Interest on Crown Advances) Regulations 1999</i> | Prescribes the way interest is to be paid on Crown advances to the Insolvent Insurers Fund and the Non-Compliers Fund under the Accident Insurance Act 1998. |
| <i>Accident Insurance (Occupational Hearing Assessment Procedures) Regulations 1999</i> | Details procedures for conducting hearing loss assessments and the degree of hearing loss to be attributed to old age (presbycusis). |
| <i>Accident Insurance (Prescribed Rate of Interest) Regulations 1999</i> | Prescribes the rate of interest applicable to debts due under various sections of the Accident Insurance Act 1998. |

| Regulation | Description |
|---|--|
| <i>Framework for Accredited Employers Programme</i> | Sets out the provisions required to be met to be part of the Accredited Employers Programme. There are a range of programmes offered from full self-cover to partial self-cover. |

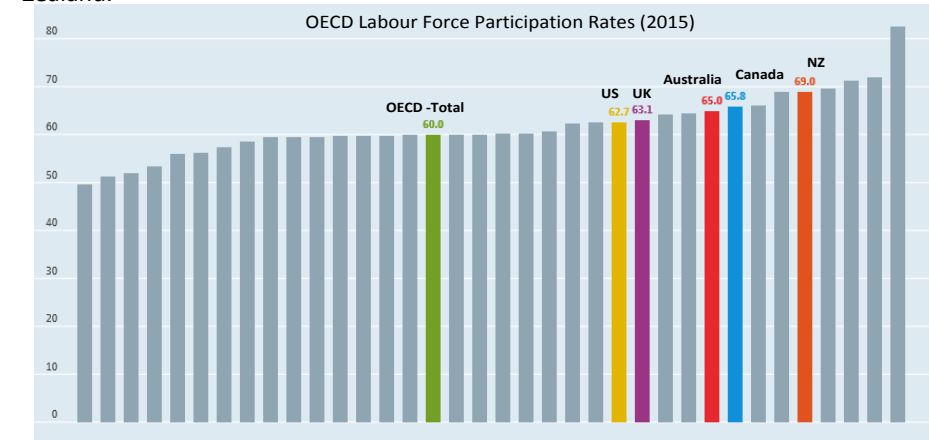
Annex 5: Labour market issues

The labour market has been a key driver for our economic growth.

New Zealand's dynamic labour market has been a pivotal part of the story for our economic growth with strong growth in labour supply and utilisation over many years - driven by migration, rising qualification levels, natural population growth and increased participation by women and people over 65 years.



New Zealand ranks 5th out of 36 OECD countries for labour force participation. Our high participation and labour utilisation has helped sustain economic growth in New Zealand.



New Zealand's unemployment rate is low compared to the majority of OECD countries. However it remains higher than we would like (4.9% September 2016). Our underutilisation rate (12.2%), while lower than the OECD average, shows a higher level of unutilised labour resource. Intergenerational and long term unemployment by some groups will continue remain a significant policy concern.

Moderate growth is expected in service industries, with strongest growth expected in higher skilled occupations (eg some ICT, health, building and engineering professions and some trades).

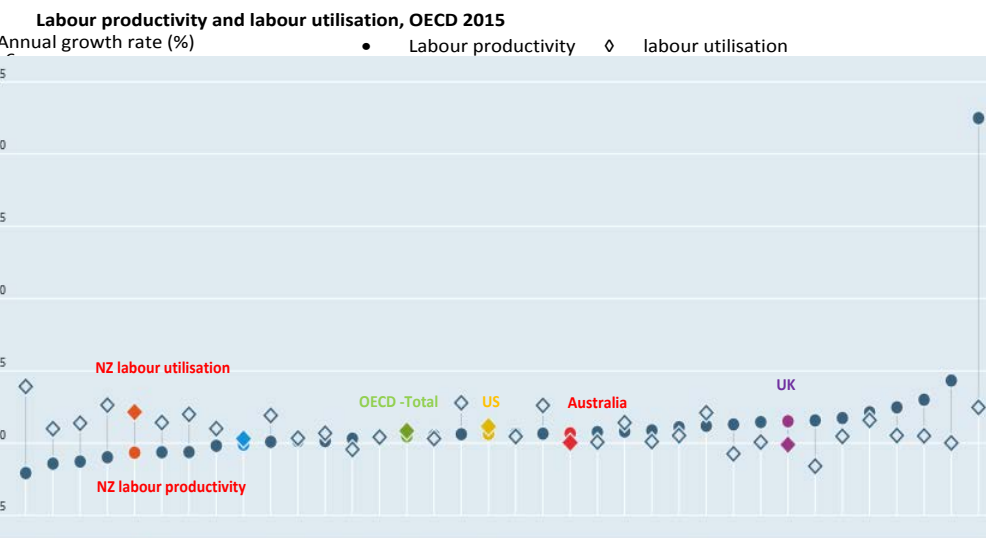
The labour market regulatory systems (ie health and safety, immigration and employment relations) are generally performing well, but need to remain fit-for-purpose given the future changes in labour market and the changing nature of work.

But, a labour productivity gap with other OECD countries persists...

New Zealand has derived economic growth from increasing labour force participation as compared to increasing labour productivity. Our labour productivity has been failing to catch up with other OECD countries - our GDP per capita is 20% below the OECD average.

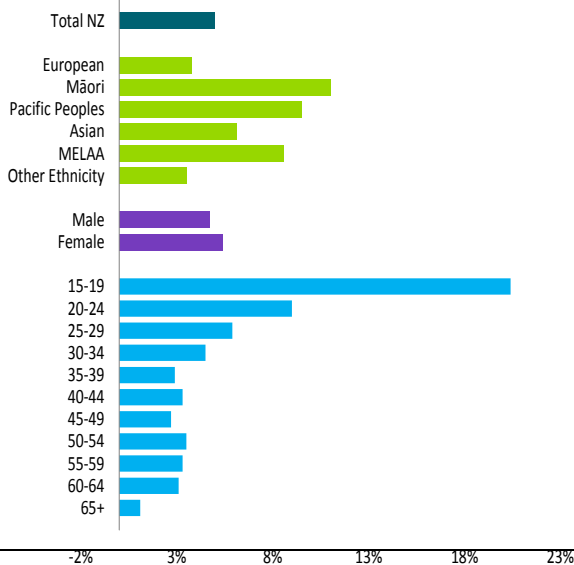
This is despite high numbers of hours worked and favourable policy settings which predict that incomes should exceed the OECD average. The causes of low productivity growth reflect the interplay between many factors.

The reasons for New Zealand's poor productivity performance are likely to include our small size, distance from markets, levels of research and development, industry structure and factors related to skill utilisation in firms.



and although New Zealand has high overall participation rates compared to other OECD countries, some groups still have disproportionately higher unemployment rates (Māori and Pacific workers and youth).

Percentage of the labour force who were unemployed, Sep 2016 year



- Women, Māori and Pacific workers, people without formal qualifications, disabled workers, youth, refugees and migrants are over-represented in low wage employment.
- NEET rates are still a persistent issue. The seasonally adjusted youth NEET rate is 11.3% (September 2016).
- For the year to the September 2016, there 75,000 young people that are not in the labour force but are also not in education, training or caregiving.

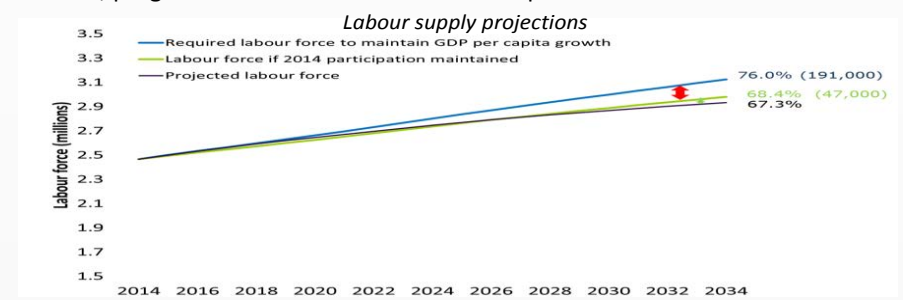
We need to future-proof the labour market to respond to forces that are shaping the world of work

Ageing population will lead to lower participation rates

Population ageing is taking place unevenly across regions – the population is younger in major cities and urban areas. Nationally, there is an increasing proportion of the population aged 65+ years, while the proportion of people aged 15-64 years is projected to grow gradually.

The ageing population is an important issue for economic growth, not just because of the impact on the labour market, but also increased pressure on our welfare and health systems.

Also, there will be marked differences in the age profile across ethnic groups. Māori, Pacific and Asian ethnic groups will all increase their share of the NZ population and have younger age structures than European. The changing ethnic mix of the labour force potentially raises challenges in the labour market around recruitment, retention, training and education, progression and cultural needs in workplaces.



Technological change and globalisation will have impacts on what work is needed and by whom, and where and how it will be carried out.

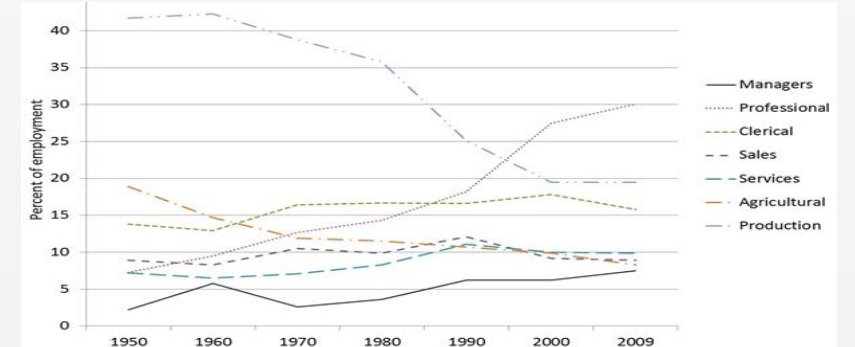
Globalisation of value chains and technological change will continue to have impacts on the sectoral and occupational structure in NZ as well as the tasks that constitute each job.

A key challenge will be to ensure that we have a dynamic, well-functioning labour market where workers can easily transition into and out of the workforce, between sectors and jobs.

Skills upgrading..... but not major technology-driven skills polarisation

Nationally, there is evidence of skills up-grading. There is also some evidence of polarisation, although not at similar levels observed in UK and the US. These are likely to reflect New Zealand's current industry and labour market characteristics. Evidence for technology-driven skill requirement within occupations has yet to be developed in New Zealand.

Long-run changes in occupational employment shares in New Zealand (1950-2009)



We need a better understanding of the extent to which changes in the employment share are reflected in changes in wages, types and levels of skill required to do the same job and the likely pace of future change.

Internationally non-standard work is a growing trend

For business, the short-term effect of flexible labour appears to be positive, allowing businesses to respond better to seasonal demands and shocks in the market. The long-term impact is less certain, for instance, whether short, on-off relationships change the incentives and ability of firms and workers to invest in workplace training and how this interacts with the costs to automate.

Flexible contracts can also create uncertain employment conditions for workers. The extent to which the use of these are changing and their impact is unknown.

Annex 6: Quarterly Labour Market Scorecard

Legend



State of the labour market scorecard - November 2016

GDP

▲0.9% quarterly change (Jun 16)

Labour utilisation (hours worked)



Labour productivity (output per hour worked)



Labour demand

Change since Jun 2016: Increased

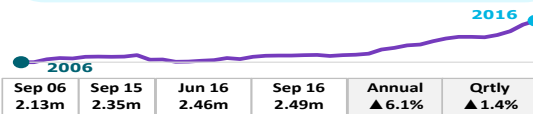
Outlook for Dec 2016: Improving

Employment growth (up 1.4 per cent or 35,000 people) continued to exceed growth in the working-age population (up 0.7 per cent or 24,000 people). This resulted in a 0.5 percentage points (pp) increase in the employment rate over the quarter to 66.7 per cent.

Employment growth for men was stronger than for women in the September 2016 quarter. Men in full-time employment (up 1.4 per cent) also showed stronger increase than for women (up 1.1 per cent) over the quarter.

Overall, employment growth was driven by a 4.0 per cent increase in part-time employment from the previous quarter, the largest growth in part-time employment since March 2011 quarter.

Headline indicator: Employment

 2.49m (Sep 16)
▲1.4% on Jun 16


Contributing indicators:

Employment by gender

Sep 16 (ann. change since Sep 15)

| | Part-time | Full-time | All |
|--------|-----------|-----------|-------|
| Male | ▲11.9% | ▲5.7% | ▲6.4% |
| Female | ▲5.8% | ▲5.8% | ▲5.8% |
| Total | ▲7.5% | ▲5.7% | ▲6.1% |

Employment by work period

Sep 16 (qtr. change since Jun 16)

| | Part-time | Full-time | All |
|-----------|-----------|-----------|-------|
| Quarterly | ▲4.0% | ▲0.3% | ▲1.4% |

Employment by industry

Sep 16 (ann. change since Sep 15)

| | Rate | Annual |
|---------------------------|--------|--------|
| Biggest rises | | |
| Wholesale Trade | ▲24.1% | ▲20.0% |
| Rental, Hire, Real Estate | ▲20.0% | ▲14.9% |
| Ag, Forestry, Fishing | ▲14.9% | |
| Biggest falls | | |
| Mining | ▼46.4% | ▼15.7% |
| Elect, Gas, Water, Waste | ▼15.7% | ▼4.4% |
| Manufacturing | ▼4.4% | |

Consensus employment forecasts

Sep-16

3.2% p.a. employment growth to March 2017

Employment rate by ethnicity

Sep 16

| | Rate | Annual |
|----------|-------|--------|
| European | 67.7% | ▲1.8pp |
| Māori | 60.0% | ▲2.5pp |
| Pacific | 60.0% | ▲6.8pp |
| Asian | 66.1% | ▲1.1pp |

Employment by region

Sep 16

| | '000 | Annual |
|------------|-------|--------|
| Auckland | 851.9 | ▲8.7% |
| Waikato | 229.8 | ▲6.9% |
| Wellington | 281.0 | ▲6.1% |
| Canterbury | 335.9 | ▲2.7% |
| Otago | 116.8 | ▼0.1% |

Labour market matching

Change since Jun 2016: Improved

Outlook for Dec 2016: Steady

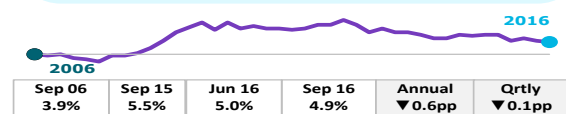
The unemployment rate fell to 4.9 per cent from a revised rate of 5.0 per cent last quarter, with 3,000 fewer people unemployed over the quarter and 10,000 fewer over the year. This is the first time since December 2008 the unemployment rate fell below 5.0 per cent.

The unemployment rate decreased for both the North Island (down 0.8pp to 5.2%) and the South Island (down 0.2pp to 3.8%) over the year to September 2016.

The underutilisation rate fell to 12.2 per cent, from 12.7 per cent in the last quarter.

The NEET rate increased to 11.1 per cent in the September 2016 quarter, up from 10.8 per cent in the June quarter.

Headline indicator: Unemployment rate

 4.9% (Sep 16)
▼0.1pp on Jun 16


Contributing indicators:

Unemployment by gender

Sep 16

| | Rate | Quarterly | Annual |
|--------|------|-----------|--------|
| Male | 4.6% | ▼0.1pp | ▼0.5pp |
| Female | 5.1% | ▼0.3pp | ▼0.9pp |

34.5% of unemployed deemed 'long-term' (i.e. unemployed more than 6 months)

Underutilisation rate by gender

Sep 16

| | Rate | Quarterly | Annual |
|--------|-------|-----------|--------|
| Male | 9.8% | ▼0.3pp | ▼1.1pp |
| Female | 14.9% | ▼0.7pp | ▼0.9pp |

Youth not in employment, education, or training

Sep 16

| | Rate | Quarterly | Annual |
|-----------------|-------|-----------|--------|
| 15 - 24 yr olds | 11.1% | ▲0.3pp | ▲0.1pp |
| 15 - 19 yr olds | 7.1% | ▲0.2pp | ▲0.4pp |
| 20 - 24 yr olds | 14.7% | ▲0.4pp | ▼0.2pp |

Advertised job vacancies

Sep 16

| | Rate | Annual |
|--|--------|--------|
| All vacancies (Jobs Online) | | |
| Monthly to Sep 16 | ▲0.5% | ▲12.5% |
| Year to Sep 16 | ▲12.5% | |
| Vacancies/applicant (SEEK Employment Index) | | |
| Monthly to Sep 16 | ▲0.1% | ▲0.5% |
| Year to Sep 16 | ▲0.5% | |

Difficulty finding skilled labour

Sep-16

Net 41% of firms found it harder to get skilled staff than three months ago (net 23% in Sep 15).

Unemployment rate by ethnicity

Sep 16

| | Rate | Annual |
|----------|-------|--------|
| European | 3.6% | ▼0.6pp |
| Māori | 10.6% | ▼1.5pp |
| Pacific | 10.1% | ▼2.2pp |
| Asian | 5.9% | ▼0.3pp |

Unemployment by region

Sep 16

| | Rate | Annual |
|------------|------|--------|
| Auckland | 5.3% | ▼0.3pp |
| Waikato | 6.9% | ▼1.6pp |
| Wellington | 4.5% | ▼1.6pp |
| Canterbury | 4.6% | ▼1.6pp |
| Otago | 3.9% | ▲0.4pp |

Labour supply

Change since Jun 2016: Increased

Outlook for Dec 2016: Improving

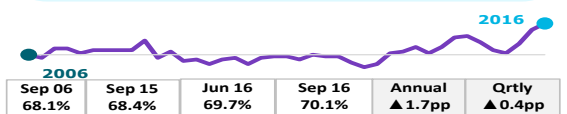
The labour force participation rate rose by 0.4pp to 70.1 per cent in the September 2016 quarter. This reflected fewer people not in the labour force and the growth in employment.

The participation rates for men and women increased by 0.7pp and 0.1pp over the quarter to 75.9 per cent and 64.6 per cent, respectively.

Net permanent and long-term migration showed a record gain of 70,000 people in the September 2016 year. The countries with the biggest changes in migrant arrivals over the year were South Africa, China, Australia and India.

New Zealand citizens still show a net loss but the level has declined compared to a year ago.

Headline indicator: Labour force participation rate

 70.1% (Sep 16)
▲0.4pp on Jun 16


Contributing indicators:

Participation by gender

Sep 16

| | Rate | Quarterly | Annual |
|--------|-------|-----------|--------|
| Male | 75.9% | ▲0.7pp | ▲1.9pp |
| Female | 64.6% | ▲0.1pp | ▲1.6pp |

Migration

Sep 16

Net migration: Net gain of 70,000 in year to Sep 16, compared with a 61,200 gain (Sep 15)

Net NZ citizen departures to Australia: Net loss of 3,500 in year to Sep 16, compared with a 5,300 loss (Sep 15)

Immigration (Essential Skills workers): Full year to Jun 16: 31,900
▲12% on year ended Jun 15
Jul 16-Sep 16: 8,100 - down 0.2% on Jul 15-Sep 15

Retirement rates

2016 (2006 base)

Est. retirements as a % of labour force:

| Year | Rate |
|-------|---------------|
| 2017: | 1.2% per year |
| 2022: | 1.3% per year |
| 2027: | 1.5% per year |

Participation rate by ethnicity

Sep 16

| | Rate | Annual |
|----------|-------|--------|
| European | 70.2% | ▲1.4pp |
| Māori | 67.1% | ▲1.7pp |
| Pacific | 66.7% | ▲6.0pp |
| Asian | 70.3% | ▲1.0pp |

Participation by region

Sep 16

| | Rate | Annual |
|------------|-------|--------|
| Auckland | 69.7% | ▲2.8pp |
| Waikato | 68.8% | ▲1.7pp |
| Wellington | 72.8% | ▲1.9pp |
| Canterbury | 72.0% | ▲0.3pp |
| Otago | 67.4% | ▼1.5pp |

Labour quality

Change since Jun 2016: Improved

Outlook for Dec 2016: Improving

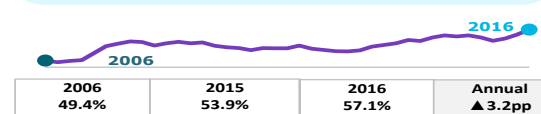
The proportion of people aged 25 to 34 years with NCEA level 4 or higher qualifications increased by 3.2pp to 57.1% in the year to September 2016.

24.7% of the working age population had bachelor's degree or higher in the June 2016 quarter, up 1.9pp on the same quarter last year.

In 2015, 83.3% of all 18 year-olds attained the equivalent of NCEA level 2 or above, up 2.1pp from 2014. Māori had the largest increase in the proportion of leavers attaining at least level 2 over the year.

Note: Some contributing indicators are only available up to June 2016 and for 2015.

Headline indicator: Qualification attainment rate

 25 to 34 year olds with level 4+ quals
356,200 (57.1%) in the year to Sep 16
▲3.2pp on Sep 15


Contributing indicators:

Degree holders in the workforce

Jun 16

 24.7% of the workforce (Jun-16)
▲1.9pp on Jun-15

School level qualifications

2015

| | Rate |
|-------------|-------|
| New Zealand | 83.3% |
| Male | 81.0% |
| Female | 85.8% |
| European | 87.3% |
| Māori | 71.1% |
| Pacific | 77.6% |
| Asian | 88.8% |

% of 18 yr olds with a NCEA level 2 or higher

2015

| | Rate | Annual |
|-------------|-------|--------|
| New Zealand | 11.6% | ▲0.9pp |
| Male | 12.9% | ▼1.0pp |
| Female | 10.2% | ▼0.8pp |
| European | 8.5% | ▼0.8pp |
| Māori | 23.6% | ▼1.9pp |
| Pacific | 14.8% | ▼1.6pp |
| Asian | 5.2% | ▼0.1pp |

% of school leavers with less than NCEA level 1

2015

| | Rate | Annual | Since 2009 |
|-------------|-------|--------|------------|
| New Zealand | 11.6% | ▲0.9pp | ▼7.5pp |
| Male | 12.9% | ▼1.0pp | ▼8.4pp |
| Female | 10.2% | ▼0.8pp | ▼6.7pp |
| European | 8.5% | ▼0.8pp | ▼5.9pp |
| Māori | 23.6% | ▼1.9pp | ▼13.1pp |
| Pacific | 14.8% | ▼1.6pp | ▼11.5pp |
| Asian | 5.2% | ▼0.1pp | ▼5.5pp |

25 to 34 year olds with level 4+ qualifications by region

Jun 16

| | Rate | Annual |
|------------|-------|--------|
| Auckland | 62.3% | ▲1.6pp |
| Waikato | 54.8% | ▲7.0pp |
| Wellington | 65.1% | ▲4.1pp |
| Canterbury | 55.2% | ▲4.7pp |
| Otago | 57.4% | ▼1.0pp |

Workplace performance

Change since Mar 2016: Improved

Outlook for Sep 2016: Improving

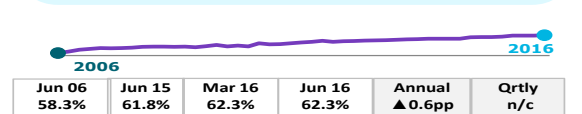
The share of people working in skilled occupations increased by 0.6pp to 62.3% in the year to June 2016.

Annual pay increases in the private sector that were due to productivity related factors averaged 1.0% between September 2015 and September 2016.

Employment confidence improved in the September 2016 quarter (back to its highest level since September 2014), as workers became more optimistic about labour market opportunities.

Note: The headline indicator is only available up to June 2016 and some contributing indicators are only available up to 2014.

Headline indicator: Skilled occupation rate

 62.3% are in skilled work (Jun 16)
▲0.6pp on Jun 15


Contributing indicators:

Skilled occupation rate

Jun 16

| | Rate | Annual |
|------------|-------|--------|
| Auckland | 63.5% | ▲0.5pp |
| Waikato | 61.9% | ▲0.5pp |
| Wellington | 65.7% | ▲0.4pp |
| Canterbury | 62.2% | ▲0.5pp |
| Otago | 60.7% | ▲0.5pp |

Private sector productivity-related wage growth

Sep 16

▲1.0% on Sep 2015

based on labour quality-related wage increases in the private sector, collected in the Labour Cost Index.

Work-related injuries

average 2012- 2014

Work-related fatal injury
2.2 per 100,000 workers in 2012- 2014
▼31.5% on 2011- 2013

Work-related serious non-fatal claims
16.2 per 100,000 workers in 2012- 2014
▼7.1% on 2011- 2013

Labour market efficiency

(Employer survey measure)

2016/17

NZ ranked 6th out of 138 countries

n/c from 2015/16

Employment Confidence Index

(Employee survey measure)

Sep 16

▲8.5pp on Jun 2016