

# A New Zealand Income Insurance Scheme

September 2021

New Zealand Government

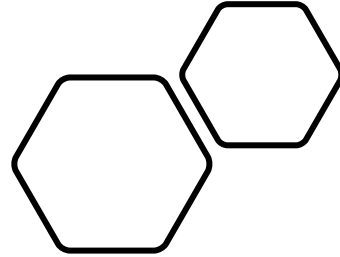


Te Kauae Kaimahi



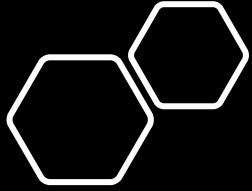
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# Purpose of this session



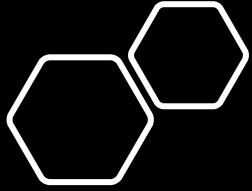
We will cover:

- The work done to date to design an income insurance scheme.
- The objectives of the scheme.
- The proposals for an income insurance scheme.
- The next steps for this work.
- This package has not yet been approved by Cabinet, and is presented today for the purposes of discussion. It is confidential to those attending today's meeting.



A lot has  
been done  
since March...

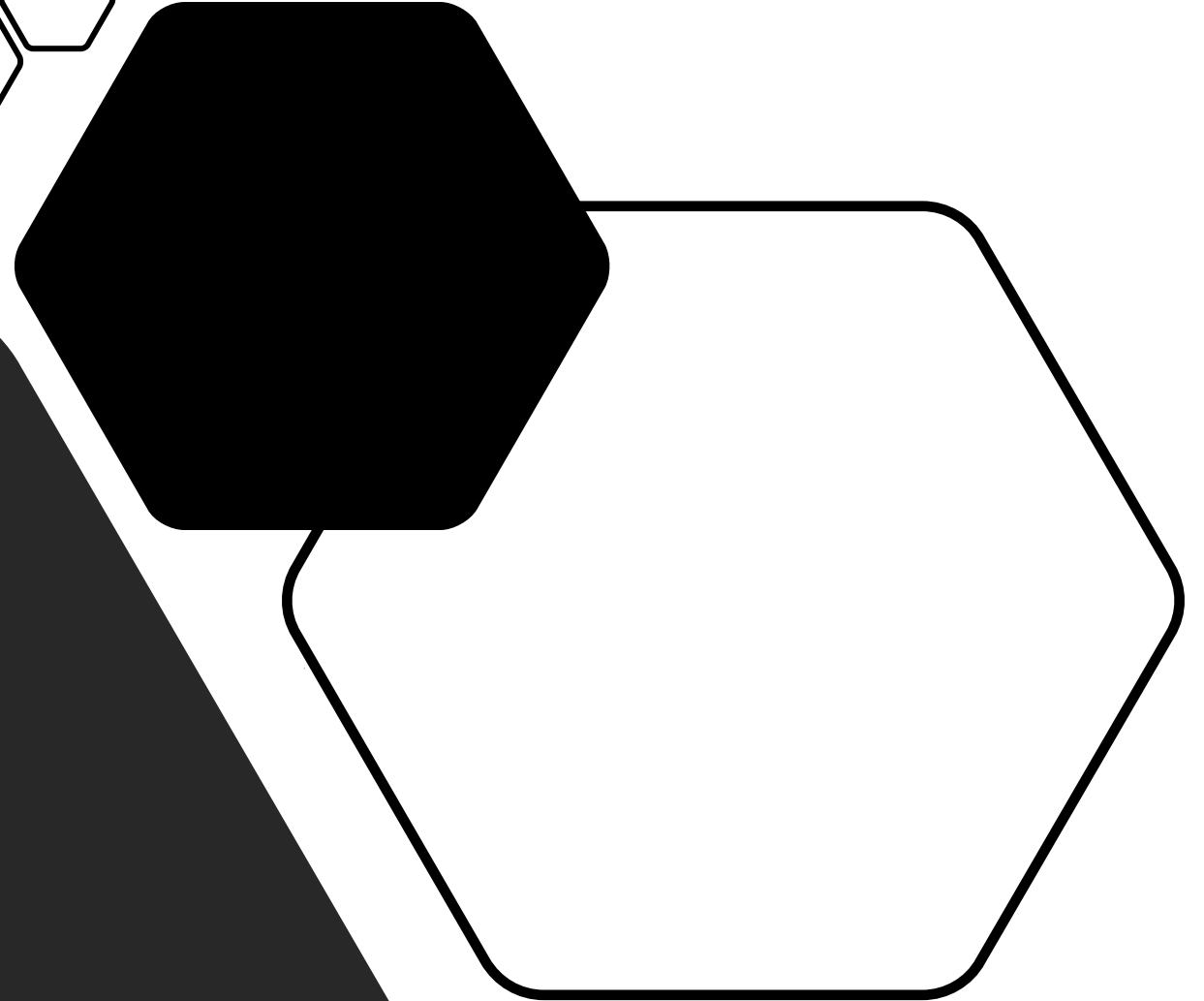
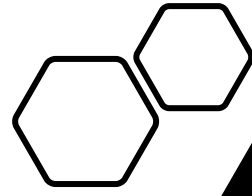
- A genuinely tripartite process.
- A dedicated working group of Officials and Social Partners with a Governance Group of Senior Ministers and Social Partners.
- Extensive research has been undertaken to develop a suitable design and model the potential costs.
- The work has shown that establishing a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



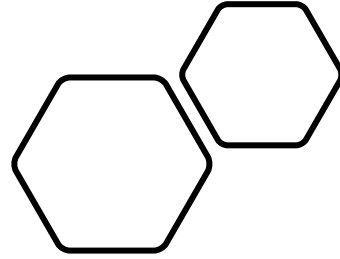
# Objectives of the scheme

- Gaps exist in support currently available.
- There are 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.
- These objectives can be achieved with the scheme that has been designed.

# Key scheme design parameters

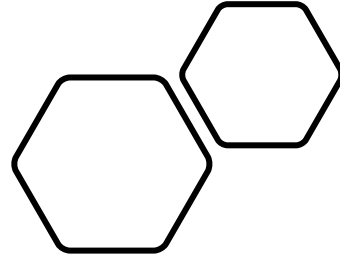


# Who is covered?



- Payments would be available to New Zealand citizens and residents.
- For displacement, coverage would be provided for most working arrangements.
- The document will 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.

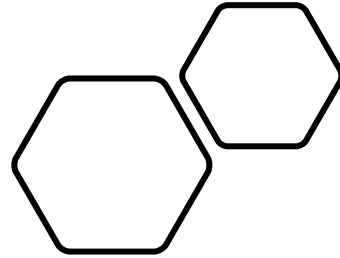
# What is covered? Displacement



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

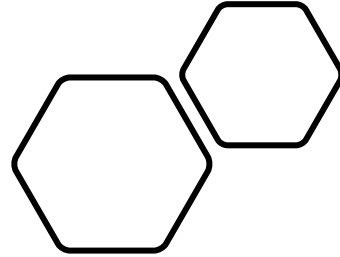


For health conditions and disabilities:

- 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?



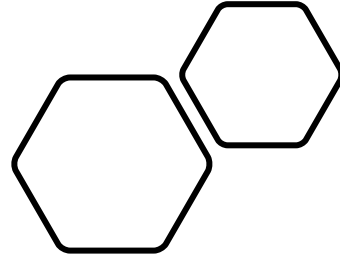
For displacement employers would:

- Give at least four weeks notice pre-displacement.
- Meet the cost of the first four weeks of the worker's period of unemployment (a "bridging payment") at 80%.

For health conditions and disabilities employers would:

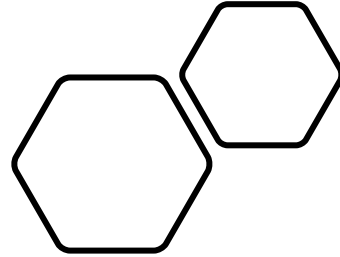
- Undertake reasonable steps to support an employee to continue working.
- Be expected to make reasonable efforts to protect the job where there is a realistic possibility of return to work.
- Pay bridging payments where the employer ended the employment relationship.

# How much is covered?



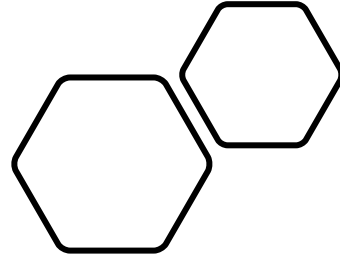
- Replacement rate of up to 80% of prior income (up to an indexed income cap of \$130,911).
- Where a person retained some employment- insurance would “top-up” income to 80% of the total prior income.
- Individualised entitlement with no asset testing.
- Dollar-for-dollar (100%) abatement once the combination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

# For how long and how frequently?



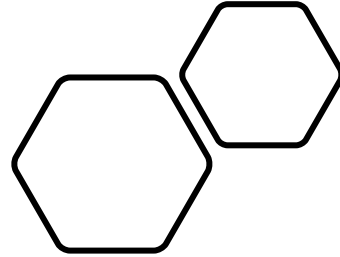
- A seven month entitlement period **including** an initial four-week period to be paid by the employer.
- A mechanism to extend entitlements to up to 12 months to allow for approved training or rehabilitation.
- Workers would need to have contributed to the scheme for six months or more, over the 18 months preceding the claim.
- A similar limitation of frequency would apply to subsequent claims.

# How would the scheme interface with existing financial support?



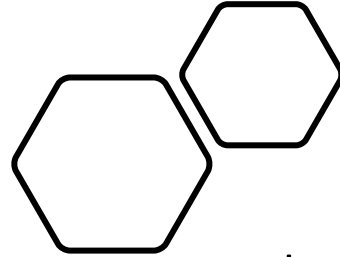
- Insurance payments would be income for welfare and tax purposes.
- Claimants may be able to receive additional support from the welfare system, with entitlements affected by their level of insurance payments.
- Other support could also be received alongside insurance (depending on eligibility) such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

# What other support would be provided?



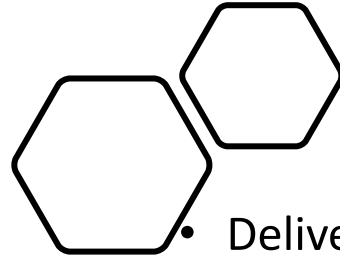
- Client support.
- Claimants connected with support to find work, or to prepare for work.
- Could provide access to more specialised case management services for claimants in certain circumstances.'
- Links to other work programmes such as our ongoing review of Active Labour Market Policies.

# 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?

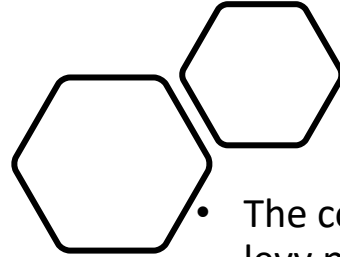


- Delivered by the Accident Compensation Corporation (ACC).
- Governance of the scheme would include tripartite and Māori representation.
- The corporation will develop information sharing agreements and sharing arrangements with employers, other agencies, and service providers.

## 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.

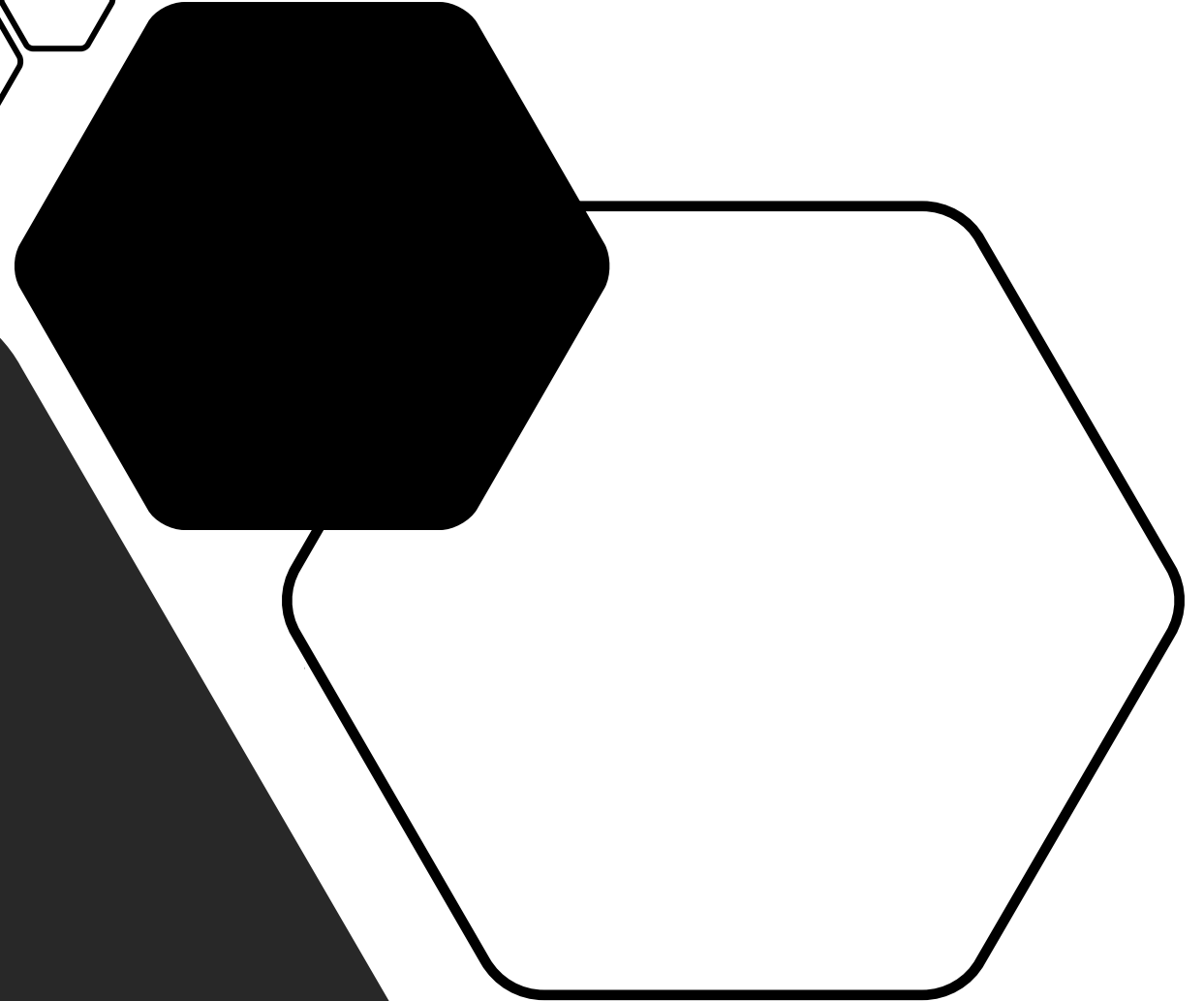
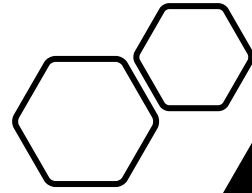
# How would the scheme be funded? What would it cost?

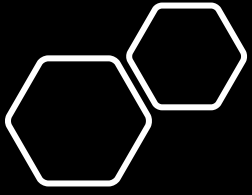


- The costs of the scheme would be met via a compulsory levy paid in equal proportions by employers and employees.
- It is difficult to estimate the exact cost. Modelling of different scenarios resulted in a range of possible levy rates.
- For the purposes of public consultation we propose that the levy be set at 2.77% (incl GST), acknowledging that this is at the upper end of the range.
- This means a levy of 1.39% for employers, and 1.39% for employees (incl GST).
- 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?

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