



# New Zealand Income Insurance Scheme Overview

## Your presenter



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# History & where are we now?

## What has happened

- Budget 2021
- Consultation document – February 2022
- Minister of Finance comments – September 2022

## What may happen

- Legislation before Christmas?
- Go live in 2024?



# What are we talking about?

## From Budget 2021:

“We have also learned lessons from COVID-19. One of those is that, just as occurred after the Canterbury Earthquakes and GFC, the Government found itself having to put in place ad-hoc measures to protect the incomes of New Zealanders who had lost their jobs. We did this with the COVID-19 Income Relief Payment. [At the urging of Business NZ and the Council of Trade Unions we have committed to the development of a Social Unemployment Insurance scheme.](#) Many countries around the world have such a scheme. We are investigating an ACC-style scheme that would provide 80 percent of income for a fixed period of time, with minimum and maximum caps, linked to training opportunities. This proposal is being developed by a tripartite working group with Business NZ and the CTU, and public consultation will occur later in the year.”

## From the Discussion Document:

“[Our proposed scheme – which we would like your feedback on – will see workers receive 80 percent of their usual salary for up to seven months. It will cover them if they are made redundant, laid off, or when a health condition or disability means they have to significantly reduce their work hours or stop working entirely.](#) This will give them the time and financial security to find a good job or take part in training or rehabilitation. The scheme will require people to look for work or take part in training and rehabilitation. It will be funded by levies on wages and salaries, with [both workers and employers paying an estimated 1.39 percent each.](#) ACC will manage the scheme.”

## Key points to be aware of (as originally proposed)

- Employees and employers will each contribute 1.39%, for a total levy of 2.77% (I know... it doesn't add up)
- It will be compulsory and apply to most/all of the workforce – employees, contractors, self-employed, work visas
- It will be required to be paid even if the worker will be ineligible to claim under the scheme
- There are two elements of the insurance (again, doesn't add up to 2.77%):
  - Displacement levy is 1.42%
  - Health conditions and disability is 1.36%



## Key points to be aware of (as originally proposed)

- Levy will have a maximum cap of \$130,911 (this was the 2021/22 ACC earner levy threshold), so the maximum annual levy per worker is \$1,819 each / \$3,639 total
- Claimants will be paid 80% of personal exertion earnings, with a cap of \$130,911 (i.e. maximum payout rate is equivalent to earning \$104,729pa)
- Employer must give 4 weeks notice of redundancy and must then pay an additional 4 weeks pay (@80%) once the employee stops work (this is called a “bridging payment”)
- Claimants expected to show effort to search for suitable employment and accept suitable offers of employment



## Why are we doing this?

From the Discussion Document:

“Governments in most developed countries provide income protection insurance because they can ensure lower costs, and wider coverage, than private markets”

“We want working people to be **confident** of their place in the future of work and open to taking jobs in dynamic but potentially risky sectors.”

“An income insurance scheme could keep employees connected to their employers during a severe economic shock by delivering a wage subsidy policy”

“...while the costs are proposed to be split evenly between workers and employers, employers could over time **pass on such costs to workers**, for instance, by suppressing wage increases.”

“It is estimated that **115,000** people are displaced, on average, each year.”

“In New Zealand... around **20,000** people stop work each year due to a health condition, injury or disability.”

“Working people will contribute a **modest portion** of their wages in exchange for a high level of income protection and the peace of mind that brings.”

“A 2017 study found that displaced workers who regained employment had **25% lower earnings** in the first year after job loss.”

“It is estimated **fewer than half** of New Zealand employees have **redundancy provisions** in their contracts.”

## Displacement

### Who can get it?

Full and part time workers, some casual, fixed term & seasonal workers, self-employed people who “most resemble employees”. Must be able to prove fixed pattern of work.  
Only available to New Zealand citizens and residents... but everyone pays levies.

### When can you get it?

Disestablishment of role (not for poor performance, misconduct or resignation). Need to fully lose job, not just a reduction in hours (can still apply if lose 1 part-time job & retain other jobs). Non-standard employment: look at “loss of reasonably anticipated income” based on “established pattern of work” or if fixed term role finished earlier than planned end.  
Assets and partner earnings do not impact on entitlements.

### Minimum term?

Must have contributed for 6 months+ over the 18 months preceding the claim.  
Can only claim it once every 18 months.

### Who pays what?

Employer must pay 4 week bridging payment of 80% of normal pay, then insurance scheme will pay 80% of earnings (subject to cap) – this is subject to income tax & is factored into other entitlements & student loan repayments.

### How long does it apply for?

Up to six months with the potential to extend this to 12 months if in approved training.  
Fixed term workers: the payments would be until planned end of employment agreement.

### What does the claimant need to do?

The claimant will be assigned a case manager who will help plan a return to work and connect them with available services – participation in “Active Labour Market Programmes”.  
Can't leave NZ for more than 28 days.  
Claimants would be expected to accept suitable offers of employment.

### Can you earn any income?

Up to 20% of pre-loss income, then it abates at 100%.



## Health conditions and disabilities

<b>Who can get it?</b>	NZ citizens and residents with a health condition or disability that leads to a significant reduction in work capacity. Coverage for all working arrangements (including self-employed).
<b>When can you get it?</b>	At least 50% reduction in work capacity that is expected to last for at least 4 weeks. All sick leave must have been used before accessing the scheme.
<b>Minimum term?</b>	Same as for displacement insurance.
<b>What does the employer need to do?</b>	Health provider and employer must certify the effect of the health condition or disability on work capacity. Health provider would assess progress for returning to work. Employer should take reasonable steps to support the employee continuing to work. Employer should make efforts to protect the job if there is a reasonable prognosis of a return to work in 6 months.
<b>Who pays what?</b>	Employer must give 4 weeks notice and pay a 4 week bridging payment if they decide to dismiss the employee because of their health condition or disability. If employment relationship remains or it is an agreed “medical retirement”, no payment is required.
<b>How long does it apply for?</b>	Same as for displacement insurance.
<b>What does the claimant do?</b>	Obligated to participate in work capacity assessments and return to work services if required. Job search obligations can be deferred based on guidance from health professional.
<b>Can you earn any income?</b>	Same as for displacement insurance.

## Practical issues to consider

- Employee levies will be collected through payroll, like existing ACC levies?
- Will this need to be reported separately, or will the existing ACC employee levy payment be increased?
- Impact on KiwiSaver contributions – will these be reduced by employees?
- Application to ‘non standard workers’ and casual workers.
- Determining ‘reasonably anticipated income’ when making bridging payments.
- Are bridging payments an ‘extra pay’?
- Collection and reporting of data on fixed contact / seasonal contract intended end dates.
- Need to retain staff on medical leave on payrolls and impact on leave balances and entitlements.
- Overpayment of levies by employers when an employee works multiple jobs which exceed the \$130,911 cap.
- Stability of levy amounts – how frequently will these change?
- Will levies be withheld from Scheduling Payment recipients?
- How will employers establish when an employee has had a 50% reduction in ability to work for medical reasons?

Questions?





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