To: **The Future of Work Tripartite Forum**

From: **Tim Mycock, Remuneration and Rewards Manager**
The University of Auckland
Te Whare Wānanga o Tāmaki Makaurau

Subject: Submission on the New Zealand Income Insurance Scheme

Date: **26 April 2022**

We are not supportive of the proposed New Zealand Income Insurance Scheme. This submission explains our reasoning why the introduction of such a scheme at this time to the New Zealand welfare state is undesirable.

The Income Insurance scheme may appear to be an appealing addition to the New Zealand labour market. However, it is a policy for which we see little need unless its purpose was re-defined as a default scheme for employers that do not have Redundancy provisions in their employment agreements. The introduction of this scheme will create significant negative side effects and comes at a time for many New Zealand organisation's considering the unprecedented Economic uncertainty New Zealand is currently facing.

The University of Auckland urges the Tripartite Forum, and especially the Government, not to progress with the scheme – at least not at this time.

We have three key areas that will directly impact the University of Auckland and we believe all New Zealand employers and employees across all sectors will be broadly impacted in a similar if not identical way.

1. The proposal suggest that employers will need to fund the scheme on the basis of $2 / $100 of salaries with a cap up to $130,911.

    a. This can be translated into an <u>unbudgeted</u> 2% additional salary costs which will need to be found and accounted for within existing budgets. For example, this would be estimated to take 75% of the funds that we have currently budgeted for future salary increases at the University of Auckland. Which are substantive at the moment due to the current employment market.

    b. This additional cost, if the scheme goes ahead, would come at time when the headline inflation rate is at 6.9% for March 2022 and workers and unions will be making claims for salary increases to account for this increase in the cost of living. We can confirm that this cannot be funded from our existing budgets so this may have the unintended consequence of negatively impacting the employment security of many of our staff and may results in staff losing their jobs to fund this scheme.

    c. This impact cannot be understated as previous economic forecasts had suggested low to moderate inflation going forward. This dynamic has changed and this has not been accounted and factored into the timing of this proposed Unemployment Insurance scheme.

   d. Finally, what guarantees are there that the initial $2 / $100 of salaries contribution for both employers and employees will not be increased in the future to ensure the solvency of the scheme?

2. Staff will need to pay $2 / $100 of their salaries with a cap up to $130,911 into the scheme.

   a. This can be translated into a 2% drop in take home pay for all employees. This is also coming at a time of the highest level of inflation in 30 years with the headline inflation rate of 6.9% for the March 2022 period.

   b. This will place an additional financial burden on the pay packets of all employees at the challenging time. The level of inflation is already impacting interest rates and mortgage payments which will also impact the disposable income for every staff member.

   c. An unforeseen impact of this could be that staff may no longer be able to afford to continue contributing to their KiwiSaver schemes and may suspend contributions impacting their retirement savings.

3. The University of Auckland already has generous redundancy provisions that have been negotiated and incorporated into employment agreements. We also have in place a voluntary Income Projection Scheme.

   Should the scheme go ahead would the University of Auckland and other organisation's with such redundancy provisions incorporated into our employment agreement's and/or income insurance scheme be exempted from the proposed Income Insurance scheme? We would propose that they are.

To conclude our view is that this scheme is not needed unless it was designed to be a default scheme for employers that do not have any reasonable redundancy provisions in place and/or income protection insurance.

We would be willing to reconsider our position if the above suggestion was incorporated into the proposal and would encourage the Future of Work Tripartite forum to consider this option in their considerations on the final design of any New Zealand Income Insurance scheme.

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Privacy of natural persons

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