



PSA Submission on the 2021 Minimum Wage Review

to the Ministry for Business,
Innovation and Employment

October 2021

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About the PSA

The New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (the PSA) is the largest trade union in New Zealand with over 80,000 members. We are a democratic and bicultural organisation representing people working in the Public Service including for departments, Crown agents and other crown entities, and state-owned enterprises; local authorities; tertiary education institutions; and non-governmental organisations working in the health, social services and community sectors.

People join the PSA to negotiate their terms of employment collectively, to have a voice within their workplace and to have an independent public voice on the quality of public and community services and how they're delivered.

We are committed to advancing the Tiriti o Waitangi of partnership, protection and participation through our work. Te Rūnanga o Ngā Toa Āwhina is the Māori arm of the PSA membership. The PSA is affiliated to Te Kauae Kaimahi the New Zealand Council of Trade Unions, Public Services International and UniGlobal.

This submission

This submission outlines the PSA's recommendations for the 2022 minimum wage rate and responds to consultation questions 2, 3, 4 and 5.

The PSA has several thousand members earning between the minimum wage and the Living Wage. These members help support some of the most vulnerable and do work that contributes to

community wellbeing and keeps essential services running. They work in care and support in the community sector; in administration in the public sector; and in library and other roles in local government including pool attendants and in environmental and infrastructure roles.

The PSA is working to lift the wages of our members through collective bargaining, but minimum wage setting remains an important tool. We therefore support increases to the minimum wage as a general principle along with other measures recommended below.

PSA recommendations for 2022 minimum wage rate

We recommend that the 2023 minimum wage rate be set at the same rate as the Living Wage – which is currently \$22.75 an hour. Inflation has been affecting those with the lowest incomes the most: Workers on the minimum wage have faced and are facing higher cost of living increases than higher earners. Based on our collective experience of living through the pandemic, there is now a widespread understanding and appreciation that many of the jobs that are essential to keeping our country running and our communities safe are the lowest paid jobs. Lifting the minimum wage to a rate that people can actually live on is the least that the country can do to recognise this.

We recommend the abolition of the youth and training rates. We do not agree that there is a robust rationale for paying different rates of pay for work of equal value because of the age of the worker.

We also recommend that the Government move to a process for setting minimum wage rates that includes the social partners. An intermediate step towards this could be to include reference to wage rate standards set by a third party, such as the Living Wage.

PSA response to the consultation questions

Q.2. What positive effects are likely to result from increases in the minimum wage rates, for both employers and workers?

Is the current COVID-19 environment likely to change these effects?

Increasing the minimum wage decreases gender and ethnic pay gaps because of the disproportionate representation of women, Māori and Pacific workers and workers from other minority ethnic communities in lower paid work. This affects not only the workers themselves, but

also the families they support: Increases in the minimum wage assist, in conjunction with other measures, with lifting children and families out of poverty.

This demonstrates the urgent need to prioritise policy measures to address occupational segregation and other factors that contribute to inequitable workplace outcomes for women, Māori and Pacific workers and workers from other minority ethnic communities.

The Covid-19 pandemic and its economic and social consequences makes it even more pressing to tackle this issue, given that the crisis has these same groups of workers especially hard¹.

Q.3. What negative effects might be caused by an increase in the minimum wage rates, for both employers and workers?

Is the current COVID-19 environment likely to change these effects?

Where PSA members work for community providers contracted by government agencies, **increases in the minimum wage put increasing pressure on funding**. This risks providers making effective cuts in services and also to income for workers as they reduce hours to offset this.

This can be addressed by an approach to government procurement that looks beyond the lowest tender to contracts that provide for rates of pay that take into account projected increases in the minimum wage.

Although there have long been arguments against lifting the minimum wage to avoid assumed increases in unemployment, there is no compelling evidence that shows this to be true in New Zealand.²

¹ For example, for impact on women and work see: <https://www.stats.govt.nz/news/covid-19s-impact-on-women-and-work> For impact on Māori see: <https://www.tpk.govt.nz/en/a-matou-mohiotanga/employment-and-income/maori-employment-impact-of-covid19-july-2020> For impact on Pacific Peoples living in South Auckland see: https://www.health.govt.nz/system/files/documents/pages/impact_of_covid-19_on_pacific_peoples_living_in_south_auckland.pdf

² David C. Maré and Dean R. Hyslop. (2021). *Minimum Wages in New Zealand: Policy and practice in the 21st century*.

Q.4. Similar to the previous Government in 2018, the Government is now considering setting indicative rates until 2024 to provide businesses and workers with more certainty about the potential trajectory of future increases.

What are your views on this approach?

If you agree, what would you consider an appropriate index (e.g. inflation, wage growth, or price indices) to use to inform these rates?

We support this. Where PSA members work for community providers contracted by government agencies, increases in the minimum wage put increasing pressure on funding. This risks providers making effective cuts in services and also income for workers as they reduce hours to offset this.

This can be addressed by **an approach to government procurement that looks beyond the lowest tender to contracts that provide for rates of pay that take into account projected increases in the Minimum Wage.**

In terms of which indexes are appropriate to take into account in setting indicative rates, there is merit in taking into account both the **Labour Cost Index and also the Household Living Costs Price Indexes**, which would allow a closer focus on cost increases for households earning the minimum wage.

Q.5. Are there other changes the Government could make alongside an increase to the minimum wage that would be helpful in the current environment?

In addition to the overarching recommendations at the beginning of this submission, we recommend:

- Amending the **Government Procurement Rules** to require any tenders to at least take into account projected increases in the minimum wage; and to move within 12 months to requiring tenders to be on the basis of any workers engaged being paid at least the Living Wage³. Providers should also be required to gather and report workforce information including pay by gender and ethnicity to ensure transparency of pay gaps and equity of pay rates.

³ Living Wage Movement Aotearoa New Zealand. The Family Centre. Social Policy Research Unit. *Living Wage Aotearoa New Zealand 2021 Update*. https://d3n8a8pro7vhmx.cloudfront.net/nzlivingwage/pages/2735/attachments/original/1622069078/Living_Wage_update_2021_FCSPRU_3.21.pdf?1622069078.

- The State as an exemplar employer ensuring a baseline set at least the **Living Wage for people working in the public service**.

- Because of the disproportionate representation of women, Māori and Pacific workers and workers from other minority ethnic communities in lower paid work, **prioritising design and implementation of policy measures to address occupational segregation and other factors that contribute to inequitable workplace outcomes for women, Māori and Pacific workers and workers from other minority ethnic communities**. There are a number of employment strategies (including for women, Māori, Pacific and other minority ethnic communities under development that can help advance this.
 - Putting in place measures to achieve **transparency of pay rates and pay gaps** through legislation would assist with this.

- Determining wages through **Fair Pay Agreements** across industries.

- Resolution and ongoing maintenance of equitable wage rates through **support for pay equity settlements**.

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