



# Minimum Wage Review

Submission

to the

Ministry of Business,  
Innovation and  
Employment

*October 2015*



**For a better working life**

New Zealand Public Service Association

Te Pūkenga Here Tikanga Mahi



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## Submission to the Ministry of Business, Innovation and Employment

### Introduction

#### *Who we are*

The New Zealand Public Service Association *Te Pūkenga Here Tikanga Mahi* (the PSA) is the largest trade union in New Zealand with over 62,000 members. We are a democratic organisation representing members in the public service, and the wider state sector (the district health boards, crown research institutes and other crown entities, state owned enterprises, local government, tertiary education institutions and non-governmental organisations working in the health, social services and community sectors).

#### *Government funding and low pay*

We welcome the opportunity to submit to this review of the minimum wage. The PSA has several thousand members employed on or just above the minimum wage, mainly for community organisations on programmes funded by the government. It is a disgrace that the government is directly responsible for so many workers living on such low wages.

Most of these are home support workers who go into the homes of vulnerable elderly and disabled people to provide personal care, and some domestic duties. The work is complex and highly responsible but the wages are low and many of the workers do not have regular hours or job security.

However we also have other pockets of members who are on the minimum wage. Examples from other sectors include library shelvers and seasonal life guards in local government (although we have recently agreed a change in the remuneration system at Auckland Council that should have taken care of this). In the public service we have family home domestic cleaners and care workers in Child Youth and Family. In District Health Boards there are some rates in our clerical and administrative collective agreements that have been overtaken by the minimum wage, but these are starting rates that are rarely used. However the numbers on the minimum wage in these other sectors are small compared to our community sector employed members.

We are seeking a significant increase in the minimum wage as an outcome of this review. We support the recommendation from the CTU for a rise to two-thirds of the average wage spread over 1-3 years.

#### *The living wage*

The PSA is a member of the Living Wage Coalition and supports the principles behind that campaign. The establishment of the living wage means that there is now a benchmark against which increases in the minimum wage can be judged. It is now clearly established that the minimum wage is not a living wage.

*We support the submission of the CTU*

The PSA is also an affiliate of the New Zealand Council of Trade Unions Te Kauae Kaimahi (the CTU) and we endorse their comprehensive submission.

## Response to minimum wage review questionnaire

**What impacts have you observed as a result of changes to the minimum wage? (You may wish to comment on the April 2015 increase, and/or increases over the past 5 years. Please define the time period you are commenting on.)**

*Impact on relativities due to lack of funding*

Our response to this question applies equally to each of the past 5 increases in the minimum wage. In the community sector it creates significant issues for internal relativities. We don't know any provider that allows for salaries above the bottom rates to increase when the minimum wage goes up. One provider did not listen to the PSA last year and put in place a \$14.79 rate for experienced staff only to find that the increase in the minimum wage left a 4c an hour margin between the two levels. The problem is not one to do with the minimum wage, it is a funding issue. We know of one provider where the cost of paying for the minimum wage increase exceeded \$800,000 but there was no compensatory funding from the government to the provider. Providers generally cannot afford to maintain fair relativities because of this lack of compensation.

It also relates to a need to regularise this workforce and increase the rates of pay across the board, not just rely on the minimum wage for what are highly skilled and responsible social service jobs.

**What gains or positive impacts are likely from a moderate increase in the minimum wage rates for you or the people you represent? (The minimum wage rate increased by 50 cents per hour in 2015.)**

*We need a significant increase*

Notwithstanding the comments in response to the question above, the minimum wage is one of the main drivers of pay increases in this low paid sector, along with collective bargaining in unionised sites. We therefore think that there should be a significant increase in the minimum wage rather than just moderate increases.

**What costs or negative impacts are likely from a moderate increase in the minimum wage rates for you or the people you represent?**

As mentioned above, the providers in the sector will probably not be compensated for the increases, but that is not an argument for not adjusting the rates. We would prefer to see a significant increase, together with a compensatory increase in government funding.

**How do you see the minimum wage working with other employment and income-related government interventions? (For example, the tax system and social assistance)**

*The interface with WfF is complex but*

Our organisers working in community services such as home support and disability hear anecdotal feedback from members who find the threshold of Working for

*an increase is still needed*

Families quite difficult. An increase in wages can put them over the threshold and they end up with less money (or less than expected) and this can be frustrating and counter-productive. This interface is complex but it should not be used as a reason for not increasing the minimum wage. This is at least in part because we need to recognise the primacy of wages as a source of income. There has been much work done on the health benefits of work<sup>1</sup> but this must include a level of remuneration that demonstrates that people are properly valued in their work, as well as meeting basic needs.

**What sector or industry-specific issues related to changes in the minimum wage are you aware of? In what circumstances or types of work?**

As mentioned earlier in this submission, we are mainly talking about support workers employed in the community delivering mental health, home support and residential disability support services. We address the details in response to other questions above and below.

*The minimum wage impacts on sleepover shifts*

One point we would draw attention to in the residential disability sector is that with the successful conclusion of the sleepover case a couple of years ago those members are now being paid the minimum wage when they work those shifts. This was a big step forward but in some cases this rate is less than their normal hourly rate. For those in this circumstance the increase to the minimum wage will be welcome, while providers will not be compensated for their increased costs.

**Do you think there are additional issues relating to minimum wage rates that are relevant to you or the specific groups you represent or work with? (For example: women, Maori, Pacific Island peoples, people with disabilities, migrants, temporary workers, SMEs or employers?)**

The workforce we are talking about in this submission is overwhelmingly female and has higher levels of Māori and Pasifika than other workforces.

In 2013 we commissioned a survey of our membership by the Centre of Labour, Employment and Work at Victoria University. This survey, known as Workplace Dynamics<sup>2</sup> was subject to further analysis by sector. This revealed that:

- 75 percent of respondents in the community sector were female, compared to 68.6 percent in the whole sample of respondents in the PSA as a whole.
- Nearly a third (32.3 percent) of the respondents in this sector had a post-secondary education as their highest qualification. In the PSA sample as a whole, this was 21.9 percent.
- The most commonly reported occupational group in this sector was unregistered community and personal service workers, at 44.6 percent

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<sup>1</sup> <https://www.racp.edu.au/advocacy/health-benefits-of-work>

<sup>2</sup> [http://www.victoria.ac.nz/som/clew/publications/PSA-Report\\_Workplace-Dynamics-in-NZ-Public-Services-2013\\_Amend.pdf](http://www.victoria.ac.nz/som/clew/publications/PSA-Report_Workplace-Dynamics-in-NZ-Public-Services-2013_Amend.pdf)

- Nearly three-quarters of respondents in the CPS sector were full time workers. In the whole PSA survey, 90 percent of respondents worked full time.
- The entire PSA survey sample was made up of 58.1 percent NZ European and 15.7 percent Māori respondents. By comparison, the proportion of NZ European respondents in the community sector was slightly smaller and those who are Māori were a much greater proportion than their relative proportion of the entire survey group (and the New Zealand population) at 20.4 percent

*Support workers are predominantly female, less well educated, more likely to be older and Māori than other PSA members*

Given that this sector is where most of our low paid members are based, the demographic profile of that sector is likely to be more reflective of the demographic profile of PSA members on the minimum wage than other sectors. This suggests that those on the minimum wage are more likely to be Maori, be in part time employment, be over 55 and female, than those in the wider PSA membership who are mostly paid more than the minimum wage.

A survey of providers conducted by the Ministry of Health to inform recent discussions about the home support workforce (a subset of the sector covered in the analysis of the PSA's Workplace Dynamics survey) is consistent with this. It shows that the demographic trends identified in Workplace Dynamics are even more pronounced in this workforce. This survey revealed that:

- 91 percent of the home support workforce was female
- The largest identifiable ethnic group was European (28 percent), with the second largest was Pasifika at 11 percent. Ethnicity was reported as 'unknown' for 42 percent of the home support workforce
- The average wage for female support workers was \$15.98 while the average wage for male support workers was \$16.37
- The gap between male and female wages was most prominent in northern and midland regions. In contrast the South Island region paid women \$15.23 on average, compared to \$15.10 for men.

*Gender and low pay*

This information confirms that gender plays a significant role in who receives low pay. The information from the Ministry of Health survey shows that this is a problem within the same low paid group, while we know that this largely female workforce is paid much less than others doing equivalent work.

For example, in 2008 the PSA commissioned a gender-neutral job evaluation exercise, which compared the work of disability support workers with therapy assistants in hospitals and corrections officers in prisons. The aim was to establish the extent to which the work of residential disability support workers was undervalued. The Department of Labour Equitable (gender neutral) Job Evaluation system was utilised. This evaluation identified that the work of disability support workers was comparable with therapy assistants in hospitals (still predominantly female) and corrections officers. The pay gap at the top end of the respective salary scales was 22% with therapy assistants and 52% with corrections officers. The jobs were of comparable skills, training and responsibility.

*Link between low pay and government funding*

Not only does this demonstrate the extent of the gender pay gap, it also shows that workers in government funded disability support services (where the minimum wage is more likely to be the paid rate) are more likely to be low paid than comparable jobs in the state services. This illustrates starkly the effect on wages of contracting out services that were formerly provided by government, where the minimum wage (or slightly above for some groups) is effectively the default rate.

*Potential impact of Equal Pay Act case in the sector*

No doubt the Minimum Wage Review process is well aware of the potential impact of the Equal Pay Act case taken by Service & Food Workers Union member Kristine Bartlett against her employer, TerraNova. It is still before the Court, but if it is successful it is possible that there will be a settlement above the minimum wage, which will have knock-on effects in the care work sector. The CTU submission covers this point in more detail.

**What would you consider an appropriate setting for the 2016 adult minimum wage? Why?**

*We support the CTU proposal on the level of the minimum wage*

We support the recommendation from the CTU for a rise to two-thirds of the average wage spread over 1-3 years. The average ordinary time hourly earnings for the June quarter were \$29.01 which would result in a minimum wage of \$19.34, slightly higher than the living wage for 2015 of \$19.25 an hour.

The minimum wage should be a living wage so it is good that they are closely aligned, but we support indexation to the average wage as this will remove subjectivity from the process. The minimum wage has been kept artificially low in the past.

**Of the people you represent or employ:**

*5% of members on minimum wage*

**a. What portion of workers are directly affected by the minimum wage?**

It is difficult to be sure. Around 44.6 percent of the membership in the community sector are support workers, most of whom will be on the minimum wage or just above. If we add in those from other sectors and the likelihood that some others from within the sector such as administration and clerical workers are on the minimum wage, we are looking at about 5% of our 62,000 members.

**b. How long do people tend to remain on the minimum wage? What factors affect the length of time someone is paid the minimum wage?**

*High turnover but some have long service*

There is a high turnover among support workers, estimated as high as 40% in home support. This is consistent with the PSA Workplace Dynamics survey which found that a majority of respondents in the community sector had only been employed for up to 5 years (52.4 percent) compared to 33.8 percent of all the PSA survey respondents. Only 16.8 percent of

workers in the sector had worked for eleven years or more in their current job compared to 35.2 percent for the entire PSA sample.

We observe that there are many experienced support workers who are paid on or just above the minimum wage, but alongside that there are high levels of churn among new entrants to the sector.

**c. Are the wages of people earning above the minimum wage increased as a result of minimum wage increases? Please describe.**

See the answer to the first question.

**d. Are any changes made to improve productivity to adjust for the cost of a minimum wage increase? Please describe.**

It depends what is understood by productivity improvement. A crude measure is, for example, an increase in the number of clients seen in the day by reducing the length of time spent with them, so that effectively there is more 'output' for the same wage.

*Less time with clients is not productivity*

We are aware of workers in home support being given less time with each client, so that they can see more clients in a day. We do not regard this as a productivity increase – rather it is a reduction in service for the client and an increase of stress for the worker. It is probably not possible to link this trend directly to minimum wage increases; it is more about the contracting model and the lack of funding for the providers who must deliver services according to the contract terms and conditions.

**e. What effect has increases to the minimum wage had on business growth?**

None. It makes it more difficult for providers to provide their contracted services but doesn't really limit their ability to contract for new services.

*No impact on business growth*

**f. What effect have increases to the minimum wage had on the hours worked by workers?**

As mentioned under question (d) there can be a reduction in the time spent with clients which in individual cases might result in a reduction in the hours worked by workers in home support if more clients are not allocated. This is easily done because the workforce is largely assignment based (effectively zero hours contracts).

*Zero hours contracts*

**For further information about this submission contact:**

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