

# PSA submission on minimum wage review 2020 (to contribute to CTU submission)

October 2020

## **Nā tō rourou, nā taku rourou, ka ora ai te iwi**

*With your food basket and my food basket the people will thrive.*

### **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 around 77,000 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, tertiary education institutions and state owned enterprises), local government, and non-governmental organisations working in the health, social services and community sectors.

#### **Recommendation**

We are seeking a significant increase in the minimum wage as an outcome of this review.

Our preference is that all working people have their pay lifted to the Living Wage of \$22.10 per hour.

At an absolute minimum, the minimum wage should be increased to at least the signaled rate of \$20 on 1 April 2021.

#### **CTU Submission**

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

### **Background**

The PSA represents several thousand people employed on or just above the minimum wage. They work for local authorities; government agencies including departments and district health boards; and community organisations or programmes funded by the government. These PSA members include people working in roles such as library shelvers and seasonal life guards; administration and contact centre roles; and hospital ward attendants, sterilization technicians and dental assistants.<sup>1</sup>

The minimum wage is an important tool in addressing low wages and inequality in Aotearoa. Other important tools include the Living Wage and equal pay/pay equity claims.

The PSA would like to acknowledge the equal pay settlement for care and support workers. This settlement lifted many of our members well above the minimum wage. We also acknowledge the

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<sup>1</sup> 2019 PSA Whole of Membership Pay Survey. N = 27, 000.

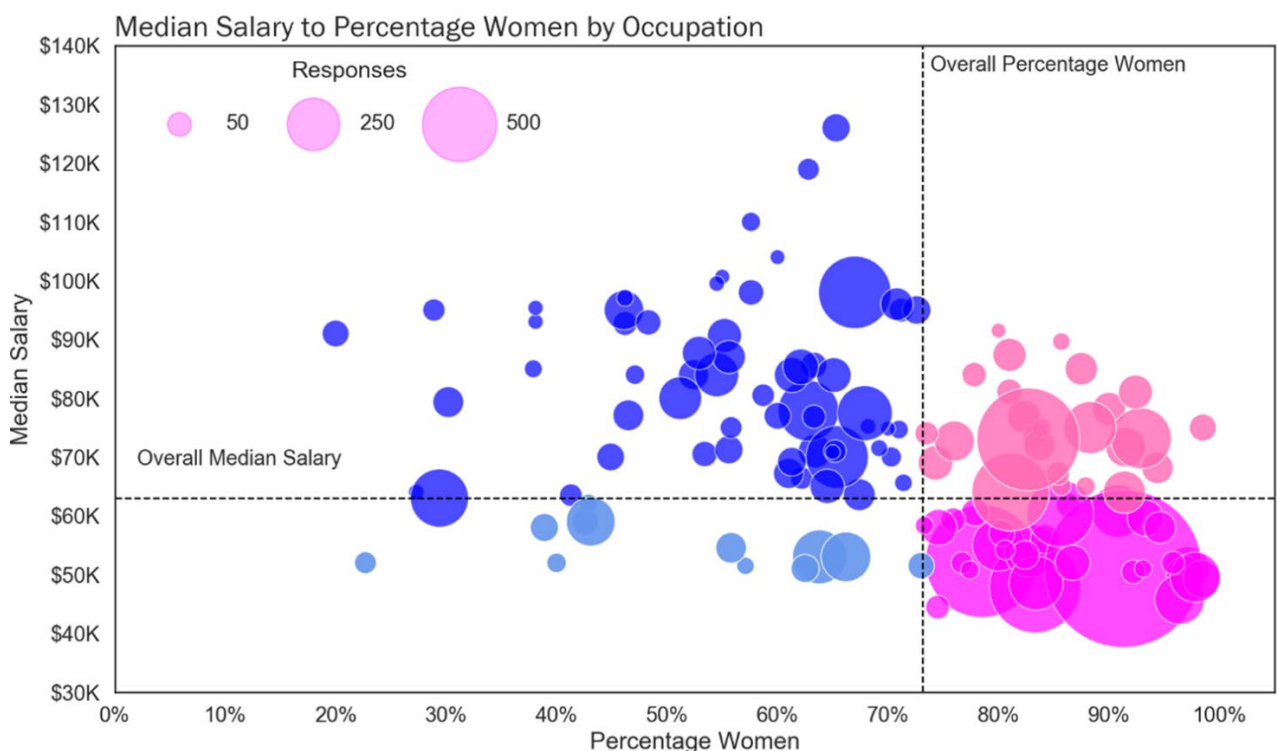
passing of the Equal Pay Act 2020 which as settlements are made will lift the wages of many more workers and in turn lift their ability to live happy fulfilled lives and contribute even further to their families and communities

### Key points

#### Gender equity

A 2019 survey of over 27, 000 people working within the PSA's areas of coverage showed that women were disproportionately represented in lower paid occupations and in particular those occupations paid between the minimum wage and the Living Wage.

This chart displays data from the 2019 survey and shows the correlation between an occupational group being disproportionately female dominated (defined here as including more than 73% women) and low pay. Each of the bubbles represents the median salary for an occupational group. The size of the bubble corresponds to the size of the response group for that occupation. The occupational groups with pink bubbles are disproportionately female dominated (defined here as including more than 73% women).



It is clear that a substantial increase in the minimum wage would contribute to a reduction in the gender pay inequality and would have wider social and economic benefits. The impact of paying the living way is both direct and indirect, by increases in relativities impacting many low paid workers. Evidence shows that increases in income for women are spent in ways that are beneficial to their

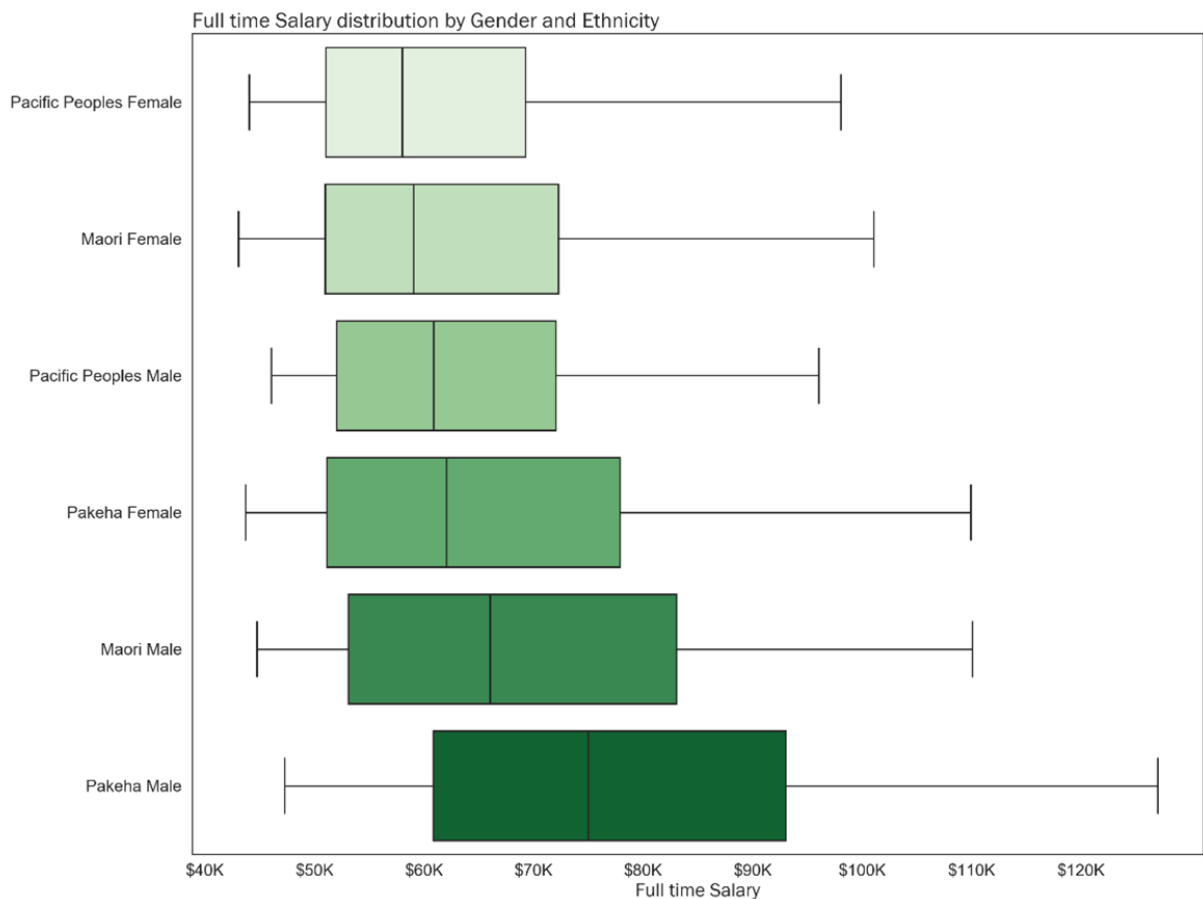
children<sup>2</sup>.

### Ethnic equity

Our 2019 survey showed that Māori and Pacific people were disproportionately represented amongst those paid between the minimum wage and the Living Wage, and gave hard evidence of significant ethnic pay gaps in public and community services.

Of the people who completed the survey 11.2% were Māori but Māori made up 13.2% of those who were paid at or below the Living Wage.

This chart displays data from the 2019 survey and shows the inequitable distribution of pay by gender and ethnicity. The 'whiskers' at the end of each bar show the full range of what each group was paid. The left hand end of the coloured bars is the 25<sup>th</sup> percentile, the right hand end the 75<sup>th</sup> percentile and the line in the middle of the bars is the median.



It is clear that a substantial increase in the minimum wage would contribute to a reduction in ethnic

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<sup>2</sup> UN Women (2015), "Facts and Figures: Economic Empowerment", <http://www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures#notes>

pay inequality and would have wider social and economic benefits.

### **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

The payment of the living wage has long been advocated for by the PSA and unions and our survey shows that many people working in public and community services are still paid below this rate.

### **Government funding of community services**

The complex interface between government funding of outsourced community and public services and minimum wage increases needs to be acknowledged and addressed by the Government. The minimum wage (or a wage slightly above the minimum) has become the default wage for outsourced services that were formerly provided directly by the government.

In order to maintain skill margins, an employer needs to be able to fund both the increase in the minimum wage as well as the wages just above this. Without compensatory funding - which covers both the increase in the minimum wage and allows for skill margins to be maintained - cuts to services may occur to make up the funding shortfall. This poses risk for the workers in the services as well as the clients that they care for and support.

### **Responses to Questionnaire**

#### **What effects have you observed as a result of changes to the minimum wage (You may like to comment on the April 2020 increase, and/or increases over the past 5 years)**

As mentioned, the most significant impact to low paid PSA members over the past five years has been the pay and support worker pay equity settlement. This settlement ensured that 6,300 PSA members who were previously paid the minimum wage are now paid up to \$27 an hour over a four year period depending on their current qualifications.

This settlement improves access to training and supports reduced turnover in the sector, meaning better care for New Zealanders and has a life changing effect on our members.

#### **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?**

Women, Maori and Pacific people are disproportionately represented both among those paid the minimum wage and those who have lost their jobs since the beginning of the COVID-19 pandemic.<sup>3</sup> People with disabilities may also be disproportionately impacted although there appears to be

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<sup>3</sup> StatsNZ data quoted in: <https://www.stuff.co.nz/business/300088321/mori-women-took-hit-in-first-wave-of-covid19-job-losses-stats-nz-data-shows> ; and <https://www.scoop.co.nz/stories/AK2008/S00109/90-of-the-drop-in-kiwi-employment-were-women-but-covid-creates-confusion.htm>

insufficient data collected and reported on this. Increasing the minimum wage is necessary to mitigate the disproportionate burden of the effects of the pandemic on women, Māori and Pacific peoples.

The positive impact for employers are that workers paid adequately may not have to rely on 2<sup>nd</sup> and 3<sup>rd</sup> jobs therefore, being less fatigued and more productive at work.

**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?**

Any negative impact would be outweighed by the positive social and economic impacts for families and communities.

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

We support implementing the following policy measures with urgency:

- Living Wage
  - Lifting wages to the Living Wage will have a positive impact on our lowest paid workers and allow them to live a fulfilled life out of poverty. The PSA supports the Labour Party's commitment to extending the Living Wage to contractors within the Public Service and encourages the government to implement this.
- Fair Pay Agreements (FPAs)
  - The PSA welcomes the CTU 'Fair Pay Agreement Framework' detailing how FPAs will be good for New Zealand, and calls for acceleration of the framework. By setting consistent standards across sectors, FPAs will protect employers who invest in their staff and businesses from being undercut by competitors who simply pay low wages to shore up profits.
- Equal pay settlements
  - Although progress has been made and some New Zealanders are now receiving equal pay, there is more work to be done. Government and agencies, including MBIE, need to move with speed to sufficiently resource and support the resolution of outstanding equal pay claims within the State services.
- Strong legislative and political support for collective bargaining and for the role of unions.
  - High union membership and collective agreements are strongly correlated with higher wages and better working conditions for working people. We encourage an enhancement of employment legislation to ensure working people have access to union membership and fair collective bargaining processes.
- Re-deployment of workers
  - Workers who have been affected by transition, both as a result of the COVID-19 pandemic and climate change and the move to a lower carbon economy, should be strongly and actively supported, including through industry-wide multi-employer pooling to match workers with new jobs, and through measures to ensure worker voice and a just transition to quality and sustainable work in any industry transformation plan.