



## Office of Hon Simon Bridges

MP for Tauranga  
Minister of Energy and Resources  
Minister of Labour  
Associate Minister for Climate Change Issues

**28 MAR 2014**

Alex Harris  
fyi-request-1500-3b2e0e6e@requests.fyi.org.nz

Dear Alex

I refer to your Official Information Act (the OIA) request dated Monday, 3 March 2014 requesting:

*On 24 February 2014 the government announced that it would be increasing the minimum wage by 50 cents an hour ("Govt to increase minimum wage", govt press release). I would like to request the following under the OIA:*

*\* all advice (including emails, minutes, aides memoire, briefing notes, cabinet papers etc) relating to this decision.*

I have interpreted this request to mean all advice I received pertaining to the decision to increase the minimum wage for 2014 from officials at the Ministry of Business, Innovation and Employment (the Ministry). The following documents fall within the scope of your request:

Doc No.	Description	Date
1	Briefing: Minimum Wage Review 2013 Process	3 Oct 2013
2	Email: Briefing on progress in Minimum Wage Review 2013 Attachments: Draft Briefing: Progress Report on the Minimum Wage Review	20 Nov 2013
3	Briefing: Progress Report on the Minimum Wage Review 2013	20 Nov 2013
4	Briefing: Minimum Wage Review 2013 report Attachment: Report: Minimum Wage Review	13 Dec 2013
5	Email: Minimum Wage Review 2013 (sent with briefing) Attachment: Report – Minimum Wage Review	16 Dec 2013
6	Briefing: Minimum Wage Review 2013 Attachments: Cabinet Paper – Annual Minimum Wage Review 2013 and Minimum Wage Order 2014 Regulatory Impact Statement: Minimum Wage Review 2013	10 Feb 2014
7	Email: Speaking points for EGI Min Wages Attachment: Speaking points for EGI: Minimum Wage Review 2013	17 Feb 2014



8	Email: Q & A on Minimum Wage Attachment: Questions and Answers on the Minimum Wage Review	19 Feb 2014
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The names of officials below manager level and contact information has been withheld from these documents under section 9(2)(a) and 9(2)(g)(ii) of the Act, which refers to protecting the privacy of natural persons and the maintaining the effective conduct of public affairs the protection of employees from improper pressure or harassment.

Some information is withheld under section 9(2)(g)(i) of the Act to maintain the effective conduct of public affairs through the free and frank expression of opinions between Ministers of the Crown and employees of any department or organisation in the course of their duty

In making my decision to withhold some information under section 9(2) of the Act, I have taken into account the public interest considerations in section 9(1). I do not consider that the withholding of any information under section 9(2) of the Act is outweighed by public interest considerations in making the information available.

I am declining to release the Cabinet paper: Annual Minimum Wage Review 2013 under section 18(d) of the Act as it is or soon will be made publicly available on the Ministry's website.

The Minimum Wage Review 2013 and the Regulatory Impact Statement: Minimum Wage Review 2013 is also refused under section 18(d) of the Act as they are publically available on the Ministry's website at: <http://www.dol.govt.nz/er/pay/backgroundpapers/2013/index.asp>

The Regulatory Impact Statement is also available on The Treasury website: <http://www.treasury.govt.nz/publications/informationreleases/ris/pdfs/ris-mbie-mmw-feb14.pdf>

You have the right to contest the decision to withhold information by seeking an investigation and review of that decision by the Ombudsman, whose address for contact purposes is:

The Ombudsman  
Office of the Ombudsmen  
P O Box 10-152  
WELLINGTON

If you wish to discuss the way your request has been interpreted or this response, or if you require any further assistance, please contact Tracy Torrance, Private Secretary - Labour, on 04 817 9810 or email [Tracy.Torrance@parliament.govt.nz](mailto:Tracy.Torrance@parliament.govt.nz).

Yours sincerely



Hon Simon Bridges  
Minister of Labour





# Ministry of Business, Innovation & Employment

## Ministry of Business, Innovation and Employment Briefing: Minimum Wage Review 2013 Process

Date Sent:	3 October 2013	Tracker No:	13/05217
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### Action Sought

	Action Sought	Deadline for Action
Minister of Labour (Hon Simon Bridges)	Agree to start the minimum wage review 2013 and sign the attached letters to the social partners inviting submissions	10 October 2013

### Agencies Consulted

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### Contact for Telephone Discussion

Name	Position	Telephone	1st Contact
<i>Withheld s9(2)(a)</i>	Policy Advisor, Employment Standards Policy	<i>Withheld s9(2)(a)</i> (j)	N/A
<i>Withheld s9(2)(a)</i>	Senior Advisor, Employment Standards Policy	<i>Withheld s9(2)(a)</i> (k)	N/A
Gerard Clark	Manager, Employment Standards Policy	<i>Withheld s9(2)(g)(ii)</i> (wk)	<i>Withheld s9(2)(g)(ii)</i> ✓

### Minister's Office Actions

If signed, send the attached letters to Phil O'Reilly, Business New Zealand and Helen Kelly, the New Zealand Council of Trade Unions.

Enclosure: Yes (Letters to Phil O'Reilly and Helen Kelly)

### Minister's Comments

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# Ministry of Business, Innovation & Employment

3 October 2013

13/05217

## Ministry of Business, Innovation and Employment Briefing: Minimum Wage Review 2013 Process

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### Recommended Action

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The Ministry of Business, Innovation and Employment recommends that you:

- a note the proposed process and timeframe for the minimum wage review 2013
- b agree to start the minimum wage review 2013

*Agree/disagree*

- c sign the attached letters to Business New Zealand and the New Zealand Council of Trade Unions respectively to invite their submissions on the review, if you agree.

  
Gerard Clark  
Manager, Employment Standards Policy  
Ministry of Business, Innovation and  
Employment  
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\_\_\_\_\_

Hon Simon Bridges  
Minister of Labour  
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## Purpose

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1. This briefing outlines the proposed process for the minimum wage review 2013. It recommends that you begin the review process by signing the attached letters to Business New Zealand and the New Zealand Council of Trade Unions (CTU).

## Background

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### *Obligation and objective of the minimum wage review*

2. As the Minister of Labour, you have a statutory obligation to review minimum wage rates by 31 December each year under section 5 of the *Minimum Wage Act 1983*. You fulfil this obligation by considering the Ministry of Business, Innovation and Employment (the Ministry)'s review report.
3. In 2012 Cabinet confirmed the Government's new objective for the minimum wage review which is 'to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses' (CAB Min (12) 41/58 refers).

### *Current minimum wages*

4. The current adult minimum wage is \$18.75 an hour. In addition to the adult minimum wage, there are minimum starting-out rates and minimum training rates set at \$11.00 an hour (80 per cent of the adult minimum wage).
5. The adult minimum wage is:
  - the equivalent of \$473 weekly income after tax for a person working 40 hours a week, which is significantly higher than the net unemployment benefit for a single adult at \$172 a week for a person aged 18 to 24, or \$206 a week for a person aged 25 and over
  - around 50 per cent of average ordinary hourly earnings and 65 per cent of median total hourly earnings
  - paid to just over 90,000 New Zealand workers, making up about 4 per cent of all employees
  - more likely to be paid to young people, women, Māori, Pacific peoples and people without formal qualifications
  - more likely to be paid to workers in the retail and hospitality industries
  - high compared with other OECD countries: it is the fourth highest relative to the median wage (after Turkey, Chile and France) and the sixth highest in terms of purchasing power parity.

## Review process

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6. In 2012, Cabinet agreed to adopt a cyclical process for the annual review of the minimum wage rate. A comprehensive review (as was completed in 2011) will be completed every fourth year, with a streamlined process in the intervening years.

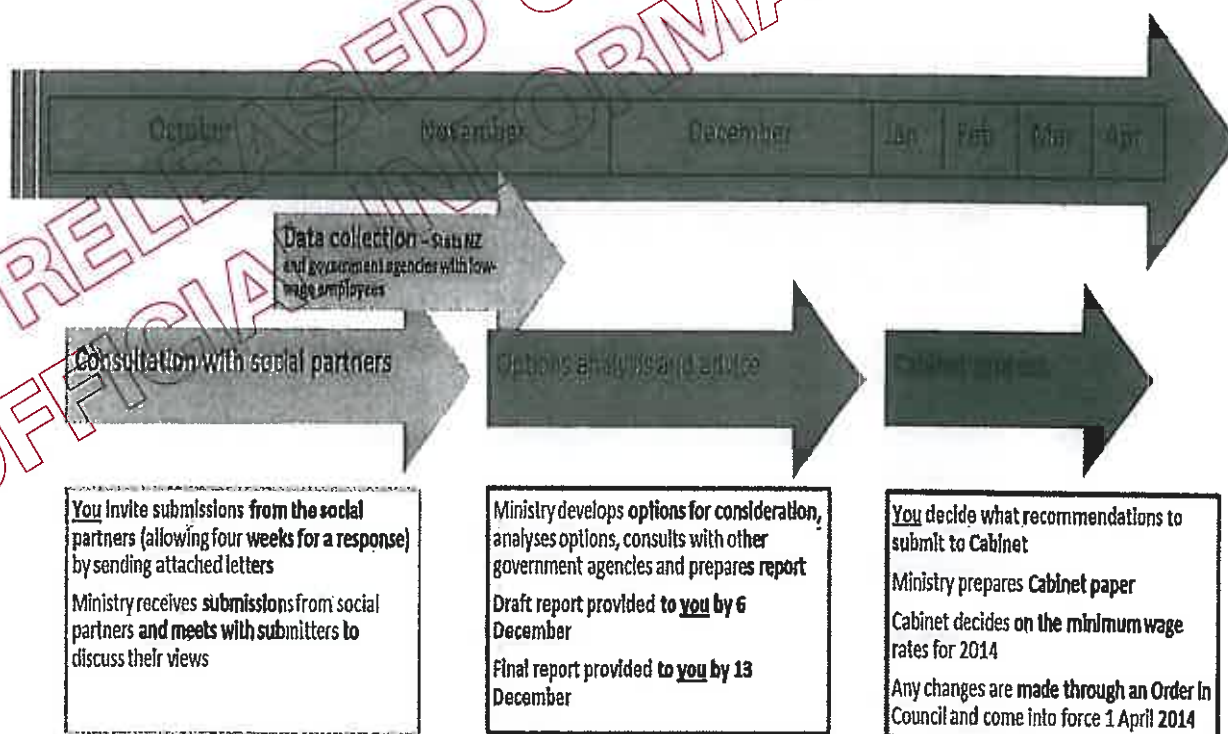
**In Confidence**

7. The 2013 review will follow the streamlined process. Formal consultation will be limited to Business New Zealand and the CTU and the Ministry will focus its analysis on the following factors when assessing the options of minimum wage rates for 2014:

- Inflation, using the Consumers Price Index (CPI) as the indicator
- wage growth, using median wage as the indicator
- restraint on employment, and
- other relevant factors.

8. The timeframe for the review process is outlined in the following diagram. Your main activities in the annual review are:

- inviting submissions from the social partners (by 18 October to allow them four weeks to respond; earlier will provide them with more time)
- considering officials' advice on setting the minimum wage rate (by 31 December), and
- deciding what recommendation(s) to submit to Cabinet for consideration (by mid-January).



9. Conventionally, any change in the minimum wage occurs on or before 1 April. We recommend you continue this approach to provide consistency for employees and employers and to align with annual adjustments to the thresholds for the accommodation supplement and the Minimum Family Tax Credit.

10. Traditionally, we publish the annual review report, along with the relevant Cabinet paper, on the Ministry's website after the completion of the review. We will seek approval from you in due course.



## Proposed options for assessment

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11. The Ministry proposes to develop and analyse a range of options for the minimum wage rates for 2014 and assess them against the above criteria, using a model developed by NZIER. An indicative set of options for consideration is as follows:
  - Option 1: \$13.75 an hour (status quo)
  - Option 2: \$13.80 an hour (CPI)
  - Option 3: \$14.00 an hour (QES)
  - Option 4: \$14.25 an hour
  - Option 5: \$15.00 an hour
  - Option 6: \$18.40 an hour
12. The options have been developed to provide a wide range of alternatives. They range from the status quo (option 1) to the living wage rate proposed by the Living Wage Aotearoa New Zealand of \$18.40 (option 6). Option 2 is developed in line with the annual CPI change to the June 2013 quarter (0.7 per cent), while option 3 is in line with the annual change in average wage according to the Quarterly Employment Survey (QES) June 2013 (1.8 per cent). Options 4 and 5 are provided as intermediate options (option 5 was originally proposed by the CTU and was assessed in the previous minimum wage review).
13. These options are developed for assessment and modelling purposes. There is no implication that the minimum wage in 2014 should be one of these options. For each proposed option, the Ministry will provide advice on how it will impact the factors outlined in Paragraph 7.
14. At our next officials' meeting with you, we will ask you whether there are any other options you would like us to consider.

## Consultation

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15. In addition to consulting with Business New Zealand and the CTU, we intend to consult these government agencies: The Treasury, the State Services Commission, Ministry of Pacific Island Affairs, Te Puni Kōkiri, Ministry of Women's Affairs, Ministry of Social Development (MSD), Ministry of Health (MoH), Ministry of Education (MinEd), Accident Compensation Corporation (ACC), Inland Revenue and the Department of Prime Minister and Cabinet.
16. We will seek input from MSD, MoH, ACC and MinEd for assessing the fiscal impact of the different options for the minimum wage.

*Withheld s 9(2)(g)(i)*

Recommended course of action

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19. It is recommended that you agree to start the minimum wage review 2013 and sign the attached letters to Business New Zealand and the CTU.

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## Office of Hon Simon Bridges

MP for Tauranga  
Minister of Energy and Resources  
Minister of Labour  
Associate Minister for Climate Change Issues

Phil O'Reilly  
Chief Executive  
Business New Zealand  
P O Box 1925  
WELLINGTON 6140

Dear Mr O'Reilly,

### MINIMUM WAGE REVIEW 2013 CONSULTATION

I am writing to invite you to make a submission on this year's minimum wage review. As Minister of Labour I am required under section 5 of the Minimum Wage Act 1983 to annually review the minimum wage rates by 31 December each year.

The Government's objective for the minimum wage is 'to keep increasing the minimum wage over time to protect the real incomes of low-paid workers while minimising job losses'.

This year's review will follow the streamlined process agreed by Cabinet in 2012, which focuses on inflation, wage growth, unemployment and other factors.

As you have done previously I encourage you to seek further consultation in support of your submission. You are welcome to use the attached questionnaire in preparing your submission.

Please send your submission to either:

Minimum Wage Review (DX SR 57080),  
Ministry of Business, Innovation and Employment,  
P O Box 3705,  
WELLINGTON 6140

or

email to *Withheld s 9(2)(g) (i)*

I would appreciate it if you could forward your submission by Friday, 15 November 2013. If you would like to meet and talk with officials from the Ministry regarding your submission, please contact Gerard Clark, Manager - Employment Standards Policy, Ministry of Business, Innovation and Employment on 04 901 8590 or [Gerard.Clark@mbie.govt.nz](mailto:Gerard.Clark@mbie.govt.nz).

Yours sincerely,

Hon Simon Bridges  
Minister of Labour

**APPENDIX – Questionnaire for the minimum wage review 2013**

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1. What impacts have you observed as a result of changes to the minimum wage? (You may wish to discuss the April 2013 increase, and/or increases over the past 5 years. Please define the time period you are discussing).
2. What are the gains or positive impacts likely to be from a moderate increase in the minimum wage rates for the people you represent? (The 2013 increase was 25 cents).
3. What are the costs or negative impacts likely to be from a moderate increase in the minimum wage rates for the people you represent? (The 2013 increase was 25 cents).
4. How do you see the minimum wage working with other employment and income-related government interventions? (For example the tax system and social assistance).
5. What sector or industry-specific issues related to changes in the minimum wage are you aware of? In what circumstances or types of work?
6. Do you think there are any additional issues relating to minimum wage rates that are relevant to specific groups you represent? (eg. women, Māori, Pacific Island peoples, people with disabilities, migrants, temporary workers, SME's or employers?)
7. What would you consider an appropriate setting for the 2014 adult minimum wage? Why?
8. Are there any other issues you would like to raise in relation to changes to the minimum wage rates?



## Office of Hon Simon Bridges

MP for Tauranga  
Minister of Energy and Resources  
Minister of Labour  
Associate Minister for Climate Change Issues

Helen Kelly  
President  
New Zealand Council of Trade Unions  
P O Box 6645  
WELLINGTON 6141

Dear Ms Kelly,

### MINIMUM WAGE REVIEW 2013 CONSULTATION

I am writing to invite you to make a submission on this year's minimum wage review. As Minister of Labour I am required under section 5 of the Minimum Wage Act 1983 to annually review the minimum wage rates by 31 December each year.

The Government's objective for the minimum wage is 'to keep increasing the minimum wage over time to protect the real incomes of low-paid workers while minimising job losses'.

This year's review will follow the streamlined process agreed by Cabinet in 2012, which focuses on inflation, wage growth, unemployment and other factors.

As you have done previously I encourage you to seek further consultation in support of your submission. You are welcome to use the attached questionnaire in preparing your submission.

Please send your submission to either:

Minimum Wage Review (DX SR 57080),  
Ministry of Business, Innovation and Employment,  
P O Box 3705,  
WELLINGTON 6140

or

email to *Withheld s9(2)(c)(i)*

I would appreciate it if you could forward your submission by Friday 15 November 2013. If you would like to meet and talk with officials from the Ministry regarding your submission, please contact Gerard Clark, Manager - Employment Standards Policy, Ministry of Business, Innovation and Employment on 04 901 8590 or Gerard.Clark@mbie.govt.nz.

Yours sincerely,

Hon Simon Bridges  
Minister of Labour

## **APPENDIX – Questionnaire for the minimum wage review 2013**

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1. What impacts have you observed as a result of changes to the minimum wage? (You may wish to discuss the April 2013 increase, and/or increases over the past 5 years. Please define the time period you are discussing).
2. What are the gains or positive impacts likely to be from a moderate increase in the minimum wage rates for the people you represent? (The 2013 increase was 25 cents).
3. What are the costs or negative impacts likely to be from a moderate increase in the minimum wage rates for the people you represent? (The 2013 increase was 25 cents).
4. How do you see the minimum wage working with other employment and income-related government interventions? (For example the tax system and social assistance).
5. What sector or industry-specific issues related to changes in the minimum wage are you aware of? In what circumstances or types of work?
6. Do you think there are any additional issues relating to minimum wage rates that are relevant to specific groups you represent? (eg: women, Māori, Pacific Island peoples, people with disabilities, migrants, temporary workers, SME's or employers?)
7. What would you consider an appropriate setting for the 2014 adult minimum wage? Why?
8. Are there any other issues you would like to raise in relation to changes to the minimum wage rates?

withheld s9(2)(g)(i)

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**From:** Gerard Clark  
**Sent:** Wednesday, 20 November 2013 12:36 p.m.  
**To:** Chloe Hood  
**Subject:** 20131119\_briefing\_on\_progress\_in\_MWR\_2013\_v3\_  
**Attachments:** 20131119\_briefing\_on\_progress\_in\_MWR\_2013\_v3\_docx

Hi Chloe – here's what we're suggesting – can you let me know thoughts reasonably quickly? Cheers

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BRIEFING

# Progress Report on the Minimum Wage Review 2013

Date:	20 November 2013	Priority:	Routine
Security Classification:	In Confidence	Tracking number:	1082 13-14

ACTION SOUGHT		
	Action sought	Deadline
Hon Simon Bridges Minister of Labour	Note the progress for the minimum wage review 2013  Note that the final review report will be provided to you on 13 December 2013	25 November 2013

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Gerard Clark	Manager, Employment Standards Policy	<i>Withheld 59(2)(g)(ii)</i>	✓
<i>Withheld 59(2)(g)</i>	Senior Advisor, Employment Standards Policy	<i>59(2)(g) N/A</i>	
<i>59(2)(g)(ii)</i>	Policy Advisor, Employment Standards Policy	<i>59(2)(g) N/A</i>	

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE BEEN CONSULTED

<input type="checkbox"/> MSD	<input type="checkbox"/> NZTE	<input type="checkbox"/> Treasury	<input type="checkbox"/> COMU	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> DOC	<input type="checkbox"/> MfE	<input type="checkbox"/> MoH	<input type="checkbox"/> TPK	<input type="checkbox"/> Other

Please specify

Minister's Office to Complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

## RECOMMENDED ACTION

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The Ministry of Business, Innovation and Employment recommends that you:

- a note the progress for the minimum wage review 2013

*Noted*

- b note that the following options will be assessed in the final review report, due to you on 13 December 2013

- \$13.75 an hour (status quo)
- \$13.90 an hour (in line with CPI change)
- \$14.00 an hour (in line with annual average wage change)
- \$14.25 an hour (in line with annual median wage change)
- \$15.00 an hour
- \$18.40 an hour (proposed as a 'living wage')

*Noted*



Gerard Clark  
Manager, Employment Standards Policy  
Ministry of Business, Innovation and Employment

20 / 11 / 13

Hon Simon Bridges  
Minister of Labour

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## Purpose

1. This briefing reports on the progress in the minimum wage review 2013 (the review).

## Background

2. You agreed to start the minimum wage review 2013 in October and sent letters to Business New Zealand and the New Zealand Council of Trade Unions (CTU) inviting their submissions on the review (briefing 13/05217 refers). You subsequently asked for a progress report from the Ministry.
3. The Ministry is following the streamlined process for the review.<sup>1</sup> Formal consultation is limited to Business New Zealand and the CTU, and the analysis of the options is focused on the following factors:
  - inflation, using the Consumers Price Index (CPI) as the indicator
  - wage growth, using median wage as the indicator
  - restraint on employment, and
  - other relevant factors.

## Review progress

4. The review takes place while the economic recovery is gaining pace. The employment rate rose from 63.4 per cent to 64.4 per cent and the unemployment rate dropped from 7.3 per cent to 6.2 per cent in the year to September 2013.<sup>2</sup> However, the unemployment rate is still high compared with prior to the economic recession.
5. The Ministry's modelling is able to assess any proposed level of minimum wage. Options proposed to be presented in the final review report are based on the status quo, CPI change, average and median wage change levels, and previous submissions from social partners. The review report will therefore provide information on the following options:
  - Option 1: \$13.75 an hour (status quo)
  - Option 2: \$13.90 an hour (in line with CPI change)
  - Option 3: \$14.00 an hour (in line with annual average wage change)
  - Option 4: \$14.25 an hour (in line with annual median wage change)
  - Option 5: \$15.00 an hour (previously proposed by the CTU)
  - Option 6: \$18.40 an hour (proposed as a 'living wage').
6. Some specific impacts of these options are summarised in the attached table – Annex 1.
7. The Ministry has sought support from the Ministry of Social Development, the Ministry of Health, the Accident Compensation Corporation (ACC) and the Ministry of Education for assessing the fiscal impact of the different options for the minimum wage<sup>3</sup>. Their estimates will be added up to give an indication of the total fiscal impact. This analysis will be included in the final review report.

<sup>1</sup> In 2012, Cabinet agreed to adopt a cyclical process for the annual review of the minimum wage, with a comprehensive review completed every fourth year and a streamlined process in the intervening years.

<sup>2</sup> This is according to the Household Labour Force Survey: September 2013.

<sup>3</sup> We have also asked the four state sector agencies to consider the impacts of two further rates (\$14.50 and \$14.75) so that our model can better assess the impacts of any proposals up to \$15.00 an hour.

8. You invited submissions from Business New Zealand and the CTU:

- Business New Zealand submitted that the minimum wage be maintained at its present level until it falls below 25% of the average national wage, which equates to just under \$7 an hour.<sup>4</sup>
- The CTU has made a substantive submission for the review. Their preference is for an immediate rise in the minimum wage to 66 per cent of the average ordinary time wage, estimated at \$18.63 an hour for April 2014. However, they suggest a possible alternative is to move to this position over three years with \$15.50 an hour as from 1 April 2014. We will meet with the CTU to discuss their submission.

#### Next steps

9. We will complete our final review report and submit it to you on 13 December 2013. The report will include:

- an analysis of the economic climate and labour market outlook
- how the options are developed for the review
- a comparative analysis of the level of current minimum wages
- detailed assessment of impacts of the minimum wage options for 2014
- analysis of the interface of minimum wages with other government intervention

10. In preparing the final review report, the Ministry will further consult with the following state agencies: The Treasury, the State Services Commission, Ministry of Pacific Island Affairs, Te Puni Kōkiri, Ministry of Women's Affairs, Inland Revenue and the Department of Prime Minister and Cabinet.

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<sup>4</sup> The current average ordinary time hourly wage is \$27.98 an hour according to the Quarterly Employment Survey in September 2013.

Annex 1: Summary Table

Minimum wage impact measures	Option 1 (status quo)	Option 2 (in line with CPI)	Option 3 (in line with average wage)	Option 4 (in line with median wage)	Option 5	Option 6 (proposed 'living wage')
Adult minimum wage	\$ 13.75	\$ 13.90	\$ 14.00	\$ 14.25	\$ 15.00	\$ 18.40
Percentage increase	N/C <sup>5</sup>	1.4%	2.1%	3.1%	9.1%	33.8%
Relativity to median wage <sup>6</sup>	63.7%	64.4%	64.9%	66%	69.5%	85.3%
Number of people impacted	54,600	61,900	65,200	109,000	178,800	530,000
Restraint on employment	N/C	N/C	N/C	Negligible	5,000	24,000
Economy-wide increase in wages (\$m, annual)	N/C	11	20	56	224	2,302
Inflationary impact/GDP (percentage points)	N/C	0.01	0.01	0.03	0.10	0.05

<sup>5</sup> N/C stands for 'no change'.

<sup>6</sup> The median wage is \$21.58 an hour (New Zealand Income Survey, June 2013).

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**BRIEFING**

# Progress Report on the Minimum Wage Review 2013

<b>Date:</b>	20 November 2013	<b>Priority:</b>	Routine
<b>Security Classification:</b>	In Confidence	<b>Tracking number:</b>	1082 13-14

ACTION SOUGHT		
	Action sought	Deadline
Hon Simon Bridges Minister of Labour	<b>Note</b> the progress for the minimum wage review 2013  <b>note</b> that the final review report will be provided to you on 13 December 2013	25 November 2013

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Gerard Clark	Manager, Employment Standards Policy	<i>Withheld 59(2)(g)(ii)</i>	✓
<i>Withheld 59(2)(g)</i>	Senior Advisor, Employment Standards Policy	<i>59(2)(g)</i> N/A	
<i>59(2)(g)</i>	Policy Advisor, Employment Standards Policy	<i>59(2)(g)</i> N/A	

**THE FOLLOWING DEPARTMENTS/AGENCIES HAVE BEEN CONSULTED**

<input type="checkbox"/> MSD	<input type="checkbox"/> NZTE	<input type="checkbox"/> Treasury	<input type="checkbox"/> COMU	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
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Please specify \_\_\_\_\_

Minister's Office to Complete:

- |   |  |
|---|--|
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| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

## RECOMMENDED ACTION

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The Ministry of Business, Innovation and Employment recommends that you:

- a **note** the progress for the minimum wage review 2013

*Noted*

- b **note** that the following options will be assessed in the final review report, due to you on 13 December 2013

- \$13.75 an hour (status quo)
- \$13.90 an hour (in line with CPI change)
- \$14.00 an hour (in line with annual average wage change)
- \$14.25 an hour (in line with annual median wage change)
- \$15.00 an hour
- \$18.40 an hour (proposed as a 'living wage')

Gerard Clark  
Manager, Employment Standards Policy  
Ministry of Business, Innovation and Employment

..... / ..... / .....

Hon Simon Bridges  
Minister of Labour

..... / ..... / .....



## Purpose

1. This briefing reports on the progress in the minimum wage review 2013 (the review).

## Background

2. You agreed to start the minimum wage review 2013 in October and sent letters to Business New Zealand and the New Zealand Council of Trade Unions (CTU) inviting their submissions on the review (briefing 13/05217 refers). You subsequently asked for a progress report from the Ministry.
3. The Ministry is following the streamlined process for the review.<sup>1</sup> Formal consultation is limited to Business New Zealand and the CTU, and the analysis of the options is focused on the following factors:
  - inflation, using the Consumers Price Index (CPI) as the indicator
  - wage growth, using median wage as the indicator
  - restraint on employment, and
  - other relevant factors.

## Review progress

4. The review takes place while the economic recovery is gaining pace. The employment rate rose from 63.4 per cent to 64.4 per cent and the unemployment rate dropped from 7.3 per cent to 6.2 per cent in the year to September 2013.<sup>2</sup> However, the unemployment rate is still high compared with prior to the economic recession.
5. The Ministry's modelling is able to assess any proposed level of minimum wage. Options proposed to be presented in the final review report are based on the status quo, CPI change, average and median wage change levels, and previous submissions from social partners. The review report will therefore provide information on the following options:
  - Option 1: \$13.75 an hour (status quo)
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6. Some specific impacts of these options are summarised in the attached table – Annex 1.
7. The Ministry has sought support from the Ministry of Social Development, the Ministry of Health, the Accident Compensation Corporation (ACC) and the Ministry of Education for assessing the fiscal impact of the different options for the minimum wage. Their estimates will be added up to give an indication of the total fiscal impact. This analysis will be included in the final review report.

<sup>1</sup> In 2012, Cabinet agreed to adopt a cyclical process for the annual review of the minimum wage, with a comprehensive review completed every fourth year and a streamlined process in the intervening years.

<sup>2</sup> Household Labour Force Survey: September 2013.

8. You invited submissions from Business New Zealand and the CTU:
- Business New Zealand submitted that the minimum wage be maintained at its present level until it falls below 25% of the average national wage, which equates to just under \$7 an hour.<sup>3</sup>
  - The CTU has made a substantive submission for the review. Their preference is for an immediate rise in the minimum wage to 66 per cent of the average ordinary time wage, estimated at \$18.63 an hour for April 2014. However, they suggest a possible alternative is to move to this position over three years with \$15.50 an hour as from 1 April 2014. We will meet with the CTU to discuss their submission.

#### Next steps

9. We will complete our final review report and submit it to you on 13 December 2013. The report will include:
- an analysis of the economic climate and labour market outlook
  - how the options are developed for the review
  - a comparative analysis of the level of current minimum wages
  - detailed assessment of impacts of the minimum wage options for 2014
  - analysis of the interface of minimum wages with other government intervention.
10. In preparing the final review report, the Ministry will further consult with the following state agencies: The Treasury, the State Services Commission, Ministry of Pacific Island Affairs, Te Puni Kōkiri, Ministry of Women's Affairs, Inland Revenue and the Department of Prime Minister and Cabinet.

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<sup>3</sup> This is calculated by the Ministry using the current average ordinary time hourly wage of \$27.98 an hour according to the Quarterly Employment Survey in September 2013.

Annex 1: Summary Table

Minimum wage impact measures	Option 1 (status quo)	Option 2 (in line with CPI)	Option 3 (in line with average wage)	Option 4 (in line with median wage)	Option 5 (previously proposed by CTU)	Option 6 (proposed 'living wage')
Adult minimum wage	\$ 13.75	\$13.90	\$14.00	\$14.25	\$15.00	\$18.40
Percentage increase	N/C <sup>4</sup>	1.4%	2.1%	3.5%	9.1%	33.8%
Relativity to median wage <sup>5</sup>	63.7%	64.4%	64.9%	66%	69.5%	85.3%
Number of people impacted	54,600	61,900	65,200	109,000	178,800	530,000
Restraint on employment	N/C	N/C	N/C	Negligible	5,000	24,000
Economy-wide increase in wages (\$m, annual)	N/C	.11	20	56	224	2,302
Inflationary impact/GDP (percentage points)	N/C	0.01	0.01	0.03	0.10	1.05

<sup>4</sup> N/C stands for 'no change'.

<sup>5</sup> The median wage is \$21.58 an hour (New Zealand Income Survey, June 2013).

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## BRIEFING

# Minimum Wage Review 2013 Report

Date:	13 December 2013	Priority:	Routine
Security Classification:	In Confidence	Tracking number:	1295 13-14

ACTION SOUGHT		
	Action sought	Deadline
Hon Simon Bridges Minister of Labour	<p>Note the attached minimum wage review 2013 report</p> <p>Note that the Ministry recommends a modest increase to the minimum wage</p> <p>Indicate what minimum wage you would like to recommend to Cabinet for 2014</p>	30 December 2013

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Gerard Clark	Manager, Employment Standards Policy	<i>Withheld</i>	✓
<i>Withheld 59(2)(a) 59(2)(g)(ii)</i>	Senior Advisor, Employment Standards Policy	<i>59(2)(b) 59(2)(g)(ii)</i>	N/A
	Policy Advisor, Employment Standards Policy		N/A

### THE FOLLOWING DEPARTMENTS/AGENCIES HAVE BEEN CONSULTED

<input type="checkbox"/> MSD	<input type="checkbox"/> NZTE	<input type="checkbox"/> Treasury	<input type="checkbox"/> COMU	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> DOC	<input type="checkbox"/> MfE	<input type="checkbox"/> MoH	<input type="checkbox"/> TPK	<input type="checkbox"/> Other

Please specify

Minister's Office to Complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

## RECOMMENDED ACTION

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The Ministry of Business, Innovation and Employment (the Ministry) recommends that you:

- a note the content of the minimum wage review 2013 report

*Noted*

- b note that the Ministry recommends a modest increase to the adult minimum wage rate (so that the adult minimum wage rate is within the range of \$13.90 to \$14.25) that maintains or increases the real value of the minimum wage while not constraining employment growth

*Noted*

- c indicate by 7 February 2014 to the Ministry what adult minimum wage rate you would like to recommend to Cabinet for 2014

- d agree that the starting-out minimum wage rate and the training minimum wage rate remain at 80 per cent of the adult minimum wage rate

*Agree/disagree*

  
Gerard Clark  
Manager, Employment Standards Policy  
Ministry of Business, Innovation and Employment

Hon Simon Bridges  
Minister of Labour

12 / 12 / 13

..... / ..... / .....

## Purpose

1. The Ministry has reviewed the minimum wage rate and produced a review report. Your consideration of the report fulfils your statutory obligation to review the minimum wage rates by 31 December 2013.
2. This briefing provides you with the minimum wage review 2013 report and seeks your decision on the minimum wage rates for 2014.

## Main points of the review report

### Background

3. You have a statutory obligation under section 5 of the Minimum Wage Act 1983 to review the level of the minimum wage by 31 December each year.
4. The Government's objective for the minimum wage review is "to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses".
5. The current minimum wage rates are \$13.75 an hour for adults and \$11.00 an hour for starting-out workers and trainees.
6. Minimum wages are being paid to just over 54,600 workers, making up about 2.4 per cent of all workers. Minimum wage workers are disproportionately young people and those working part-time. They are often women, Māori and Pacific workers, workers without formal qualifications, disabled workers, or refugees and migrants.
7. This year's review takes place in a more favourable economic and labour market situation. This is demonstrated by a more stable economic growth and stronger labour market. However, the unemployment rate is still high at 6.2 per cent compared with 3.6 per cent in March 2008 prior to the onset of the economic recession.

### Options analysis

8. To fulfil the objective of the minimum wage review, the Ministry continues its practice of developing and analysing different options for the minimum wage, then modelling the impact of each option. The review report provides an assessment of the following options:
  - Option 1: \$13.75 an hour (status quo)
  - Option 2: \$13.90 an hour (in line with CPI change)
  - Option 3: \$14.00 an hour (in line with annual average wage change)
  - Option 4: \$14.25 an hour (in line with annual median wage change)
  - Option 5: \$15.00 an hour (previously proposed by the New Zealand Council of Trade Unions)
  - Option 6: \$18.40 an hour (proposed as a 'living wage').
9. Some specific impacts of the minimum wage increase options are summarised in Table 1.
10. Minimum wage workers are benefit directly from any increase in the minimum wage through increased earnings. They may also be the first to experience any negative impacts that could result from a change in the minimum wage. Minimum wage increases may have negative employment effects, including lower job growth and reduced hours, particularly from a significant rise in the level

of the minimum wage. Particular demographic groups (e.g. youth, Māori/Pacific) are more likely to experience negative effects from the minimum wage.

11. The extent of any employment effects will depend on the size of the wage increase and the economic and labour market context in which it occurs. The Ministry's modelling indicates that an increase in the minimum wage of up to 5% in the current economic climate is not likely to inhibit overall employment growth. An increase to \$14.50 an hour would start to constrain employment growth.
12. An increase in the minimum wage will increase labour costs for employers, especially for those industries that employ a large number of minimum wage workers such as retail and hospitality. This could result in greater inflation pressure. An increase in the minimum wage will also have a fiscal impact on the state sector, mainly the Ministries of Health, Social Development and Education and the Accident Compensation Corporation (ACC).

### *Consultation*

13. The Ministry consulted with social partners Business New Zealand (Business NZ) and the New Zealand Council of Trade Unions (NZCTU) in the review.
  - Business NZ submitted that the minimum wage be maintained at its present level until it falls below 25% of the average national wage, which is currently just under \$7 an hour
  - NZCTU submitted for an immediate rise in the minimum wage to 66 per cent of the average ordinary time wage (estimated at \$18.63 an hour in April 2014), or, if that is not achievable, increasing to that level over 3 years with an interim step to \$15.50 from 1 April 2014.
14. The Ministry also consulted with the Treasury, Te Puni Kōkiri, and the Ministries of Social Development, Pacific Island Affairs, Women's Affairs, Health and Education on the minimum wage review 2013. The Department of Prime Minister and Cabinet has been informed of the review. Some of the agencies have provided an early indication of their preferred options, which will be confirmed later in the Cabinet process:
  - The Treasury – retaining the status quo of \$13.75 an hour
  - Ministry of Pacific Island Affairs – increasing to \$14.25 an hour (option 4)
  - Te Puni Kōkiri – increasing to \$16.00 an hour
  - Ministry of Social Development – increasing to \$14.00 an hour (option 3)
  - Ministry of Women's Affairs – increasing to \$14.25 an hour (option 4).

### *The Ministry's recommendations*

15. Setting the minimum wage rate requires balancing the benefits of any changes, such as the protection of the lowest paid, against the costs that any changes might bring, such as employment impacts. The Ministry considers that a modest increase is appropriate in the current labour market. A modest increase aligns with the cautious approach taken in the previous reviews. It means a small incremental adjustment that maintains or increases the real value of the minimum wage while not constraining employment growth. The following options align with this approach:
  - \$13.90 an hour (option 2) would maintain the purchasing power of minimum wage workers. It is expected to have no negative impacts on employment and minimal impacts on other economic variables.



- \$14.00 an hour (option 3) would maintain the current relativity with the average wage. It is expected to have a minimal employment impact and low cost to business.
  - \$14.25 an hour (option 4) would further raise the incomes of minimum wage earners to maintain the current relativity with the median wage. It is also expected to have negligible impacts on employment. However, it would have a larger cost for businesses and the government.
16. The review report is focused on the adult minimum wage rate with a presumption that the starting-out minimum wage rate and the training minimum wage rate continue to be 80 per cent of the minimum adult rate. The Ministry recommends that the current relativity be maintained.

#### Next steps

17. You need to decide what, if any, change you wish to make to the adult minimum wage rate for 2014. It is conventional for the Minister of Labour to consult with the Prime Minister and the Minister of Finance on the decision, prior to notifying Cabinet.
18. As an Order in Council is required to give effect to any change, we therefore seek your decision by 7 February 2014 at the latest so we can prepare a Cabinet paper for you, to meet the timeframe for the making of an Order in Council to come into effect on 1 April 2014.

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Table 1: Summary of the Impacts of the minimum wage options

Minimum wage impact measures	Option 1 (status quo)	Option 2 (in line with CPI)	Option 3 (in line with average wages)	Option 4 (in line with median wage)	Option 5 (previously proposed by CTU)	Option 6 (proposed 'living wage')
Adult minimum wage (hourly rate)	\$13.75	\$13.90	\$14.00	\$14.25	\$15.00	\$18.40
Adult minimum wage (week income)	\$550	\$556	\$560	\$570	\$600	\$736
Percentage increase	N/C <sup>1</sup>	1.4%	2.1%	3.5%	9.1%	33.8%
Relativity to median wage <sup>2</sup>	63.7%	64.4%	64.9%	66%	69.5%	85.3%
Number of people impacted	54,600	61,900	65,200	109,000	178,800	530,000
Restraint on employment	N/C	N/C	N/C	Negligible	5,000	24,000
Economy-wide increase in wages (\$m, annual)	N/C	11	20	56	224	2,302
Inflationary Impact/GDP (percentage points)	N/C	0.01	0.01	0.03	0.10	1.05
Additional annual costs to the government (\$m) <sup>3</sup>	N/C	4.39	7.91	18.32	58.78	454.81 <sup>4</sup>

<sup>1</sup> N/C stands for 'no change'.

<sup>2</sup> The median wage is \$21.58 an hour (New Zealand Income Survey, June 2013).

<sup>3</sup> This is a high level estimate based on the additional costs to the Ministries of Health, Social Development and Education and the Accident Compensation Corporation from higher wage costs to their employees and service providers.

<sup>4</sup> This estimate in particular is likely to be an underestimate because employees and contractors working for state agencies bring more than the four surveyed here would be affected by a minimum wage increase to \$18.40.

withheld s9(z)(g)(i)

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**From:** Gerard Clark  
**Sent:** Monday, 16 December 2013 12:24 p.m.  
**To:** Chloe Hood  
**Subject:** Emailing: 1295\_13-14\_Minimum\_Wage\_review\_2013\_(sent\_with\_briefing)  
**Attachments:** 1295\_13-14\_Minimum\_Wage\_review\_2013\_(sent\_with\_briefing).pdf

Hi Chloe - minimum wage review report as requested. Is it okay as a pdf? I can probably send it as a word document if you want, but would need to wait until Fiona is here (after lunch).

Cheers

Gerard

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**BRIEFING**

# Minimum Wage Review 2013

<b>Date:</b>	10 February 2014	<b>Priority:</b>	Routine
<b>Security Classification:</b>	In Confidence	<b>Tracking number:</b>	1659 13-14

ACTION SOUGHT		
	Action sought	Deadline
Hon Simon Bridges Minister of Labour	Sign the attached minimum wage review Cabinet paper and CAB 100 and lodge with the Cabinet Office	10am, 13 February 2014

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Gerard Clark	Manager, Employment Standards Policy	Withheld	✓
Withheld s 9(2)(a)	Policy Advisor, Employment Standards Policy	s 9(2)(a) s 9(2)(g)(ii)	N/A
s 9(2)(g)(ii)	Policy Advisor, Employment Standards Policy	) N/A	

**THE FOLLOWING DEPARTMENTS/AGENCIES HAVE BEEN CONSULTED**

<input checked="" type="checkbox"/> MSD	<input checked="" type="checkbox"/> SSC	<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> MPIA	<input checked="" type="checkbox"/> ACC	<input checked="" type="checkbox"/> MoE
<input checked="" type="checkbox"/> MWA	<input checked="" type="checkbox"/> IRD	<input type="checkbox"/> MfE	<input checked="" type="checkbox"/> MoH	<input checked="" type="checkbox"/> TPK	<input type="checkbox"/> Other

Please specify

Minister's Office to Complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

## Purpose

1. Attached for your signature is a Cabinet paper 'Annual Minimum Wage Review 2013 and Minimum Wage Order 2014' and the associated CAB 100 for lodging with Cabinet office by 10:00am on Thursday, 13 February 2014.

## Comments

2. You have decided that the adult minimum wage rate should be increased from \$13.75 an hour to \$14.25 an hour. You have also decided to increase the starting out minimum wage and the training minimum-wage from \$11.00 an hour to \$11.40 an hour.
3. The following timeline is required in order for the changes to take effect on 1 April 2014 (and meet the 28 Day Rule requirements):
  - Submission of the attached paper to Cabinet Office by 10.00am, Thursday, 13 February 2014
  - Consideration of the paper by the Cabinet Economic Growth and Infrastructure Committee on Wednesday, 19 February 2014
  - Cabinet consideration on Monday, 24 February 2014
  - Submission of the Minimum Wage Order 2014 to the Executive Council on Monday, 24 February 2014.
4. The advice to the Executive Council (the goat skin) is prepared for you. The Parliamentary Council Office will order printed copies of the Minimum Wage Order 2014 to be delivered to Cabinet Office on 13 February 2014.

## Recommended Action

The Ministry of Business, Innovation and Employment recommends that you:

- a sign the attached Cabinet paper and CAB 100 and lodge them with the Cabinet Office by 10:00am Thursday, 13 February 2014



Gerard Clark  
Manager, Employment Standards Policy  
Ministry of Business, Innovation and Employment

10/2/2014

Hon Simon Bridges  
Minister of Labour



withheld 9(2)(b)(i)

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**From:** Kate Lynch  
**Sent:** Monday, 17 February 2014 4:11 p.m.  
**To:** tracy.Torrance@parliament.govt.nz  
**Cc:** Gerard Clark; withheld 9(2)(b)(i) and s 9(2)(a)  
**Subject:** Speaking points for EGI Min Wages  
**Attachments:** Speaking points for the MoL FINAL.docx

Hi Tracy,

Please find attached speaking points for the Minister for EGI (Min Wage Review) on 19 Feb.

Kind regards

Kate

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## Speaking points for EGI: Minimum Wage Review 2013

10:30am Wednesday, 19 February 2014

I am intending to recommend to the Governor-General that:

- The adult hourly minimum wage rate be increased from \$13.75 to \$14.25
- The starting-out minimum wage and training hourly minimum wage rates will continue to be set at 80 per cent of the adult minimum wage. They will be increased from \$11.00 to \$11.40
- The increases come into force on 1 April 2014 through an Order in Council.

The increase in minimum wage rates is in line with the change in annual median hourly earnings from wages and salaries (3.5 per cent to \$21.58 an hour in the year to June 2013 as reported in the New Zealand Income Survey 2013). The increase is recommended for the following reasons:

- This is a modest increase consistent with our cautious approach to minimum wage adjustments. The Ministry of Business, Innovation and Employment advises that the impact of this increase on employment growth is negligible.
- The modest increase will have a positive financial and social impact for low paid workers through an increase in their earnings. It will directly affect up to 109,000 workers.
- This increase meets our objective for the minimum wage review, which is 'to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses'.

Setting the minimum wage requires balancing the benefits of any changes (such as protecting the earnings of the lowest paid), against the costs that any changes might bring (such as negative employment impacts). I believe this modest increase correctly balances the needs of both businesses and workers and will have minimal impact on the wider labour market or on inflationary pressures.

If you agree to my recommendation, I will report these changes to Cabinet on 24 February and the Order in Council will then be presented to the Executive Council for approval. Once this approval is obtained, I will announce the changes publicly and the Order will be gazetted on 27 February. The changes will come into effect on 1 April 2014.

## **Background information**

### *Compliance*

The draft Minimum Wage Order 2014 complies with the principles of the Treaty of Waitangi; rights and freedoms contained in the New Zealand Bill of Rights Act 1990; principles and guidelines set out in the Privacy Act 1993; relevant international standards and obligations and the LAC Guidelines.

I intend that the Minimum Wage Order 2014 be gazetted on Thursday, 27 February 2014, and so will comply with the 28 day rule.

I do not consider that there are grounds for the Regulations Review Committee to draw the regulation to the attention of the House under Standing Order 315.

Parliamentary Counsel has certified that the draft Minimum Wage Order 2014 is in order for submission to Cabinet.

### *Human Rights issues*

As these starting-out wage and the training minimum wage rates continue to make a distinction on the basis of age and/or employment status, it continues to raise an issue of discrimination under section 19(1) of the New Zealand Bill of Rights Act 1990.

This discrimination appears to be justified in terms of section 5 of the Act for the following reasons:

- There are negative long-term economic and social effects associated with young people being out of work, especially if they remain unemployed for significant periods of time. The starting-out wage and training minimum wage are designed to help get young people into work and work-based training.
- While there has been a stronger labour market performance over the past year the unemployment rate for the 15 to 19 year old age group is still high (23.4 per cent in September 2013).

Labour market conditions and the unemployment rate have not changed significantly enough over the past year to warrant increasing the relativity of the starting-out wage and training minimum wage from the status quo of 80 per cent of the adult minimum wage.

*Six options were considered for the minimum wage review in 2013:*

- Option 1: \$13.75 an hour (status quo)
- Option 2: \$13.90 an hour (in line with CPI change)
- Option 3: \$14.00 an hour (in line with annual average wage change)
- Option 4: \$14.25 an hour (in line with annual median wage change)
- Option 5: \$15.00 an hour (proposed by NZCTU in 2012 review)
- Option 6: \$18.40 an hour (proposed as a 'living wage'<sup>1</sup>).

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<sup>1</sup> This figure is proposed by the Living Wage Aotearoa New Zealand Campaign led by the Service and Food Workers' Union. The wage is intended to provide the income necessary to meet a set of specified needs for a family of two adults and two children where one adult works 40 hours a week and the other 20 hours.

Table 1: Summary of the impacts of the minimum wage options for 2013

Minimum wage impact measures	Option 1 (status quo)	Option 2 (in-line with CPI increase)	Option 3 (in-line with average wage increase)	Option 4 (in line with median wage increase)	Option 5 (previously proposed by CTU)	Option 6 (proposed 'living wage')
Adult minimum wage (hourly rate)	\$ 13.75	\$13.90	\$14.00	\$14.25	\$15.00	\$18.40
Adult minimum wage (week income)	\$550	\$556	\$560	\$570	\$600	\$736
Percentage increase	N/C <sup>2</sup>	1.4%	2.1%	3.5%	9.1%	33.8%
Relativity to median wage <sup>3</sup>	63.7%	64.4%	64.9%	66%	69.5%	85.3%
Number of people impacted	54,600	61,900	65,200	109,000	178,800	530,000
Restraint on employment	N/C	N/C	N/C	Negligible	5,000	24,000
Economy-wide increase in wages (\$m, annual)	N/C	11	20	56	224	2,302
Inflationary impact/GDP (percentage points)	N/C	0.01	0.01	0.03	0.10	1.05
Additional annual costs to the government (\$m) <sup>4</sup>	N/C	4.39	7.91	18.32	58.78	454.81 <sup>5</sup>

<sup>2</sup> N/C stands for 'no change'.

<sup>3</sup> The median wage is \$21.58 an hour (New Zealand Income Survey, June 2013).

<sup>4</sup> This is a high level estimate based on the additional costs to the Ministries of Health, Social Development and Education and the Accident Compensation Corporation from higher wage costs to their employees and service providers.

<sup>5</sup> This estimate in particular is likely to be an underestimate because employees and contractors working for state agencies other than the four surveyed here would be affected by a minimum wage increase to \$18.40.

Table 2: Recent changes in minimum wage rates

Time Period	Adult Minimum Wage	Youth Minimum Wage <sup>6</sup>	% Change	Annual increase in average wage <sup>7</sup>
April 2005	\$9.50	\$7.60	5.6%	3.6%
April 2006	\$10.25	\$8.20	7.9%	5.4%
April 2007	\$11.25	\$9.00	9.8%	4.7%
April 2008	\$12.00	\$9.60	6.7%	4.7%
April 2009	\$12.50	\$10.00	4.2%	5.4%
April 2010	\$12.75	\$10.20	2.0%	1.0%
April 2011	\$13.00	\$10.40	1.9%	2.6%
April 2012	\$13.50	\$10.80	3.7%	3.8%
April 2013	\$13.75	\$11.00	1.9%	2.1%

Table 3: Ranking of the minimum wage rate in OECD countries

As Annual Income			Standard work week (hours)	As Hourly Rate		
1	Australia	US\$33,355	38	1	Australia	US\$16.88
2	Luxembourg	US\$29,611	40	2	Luxembourg	US\$14.24
3	<b>New Zealand</b>	<b>US\$23,252</b>	40	3	France	US\$12.09
4	Belgium	US\$23,104	38	4	Belgium	US\$11.69
5	Canada	US\$22,766	44	5	<b>New Zealand</b>	<b>US\$11.18</b>
6	Netherlands	US\$22,747	40	6	Ireland	US\$11.09
7	Ireland	US\$22,490	39	7	Netherlands	US\$10.94
8	United Kingdom	US\$19,896	38.2	8	United Kingdom	US\$10.02

Source: Country sources 2013<sup>8</sup>

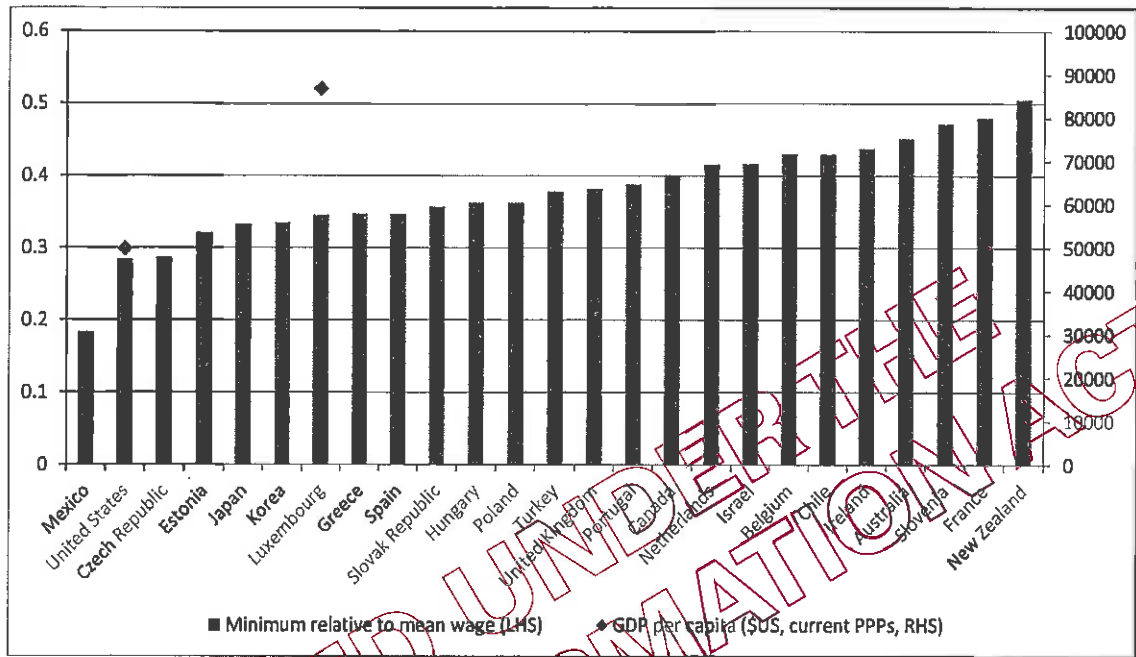
<sup>6</sup> This includes new entrants and training rates and the starting-out wages rates (from 2013).

<sup>7</sup> Source: Ordinary time hourly wages, Quarterly Employment Survey, March quarters, Statistics NZ.

<sup>8</sup> The exchange rates used to convert local currency to US dollars are the official exchange rates listed by the World Bank for 2012. They are calculated as an annual average based on monthly averages of the local currency unit (LCU) to US dollar in 2012.

New Zealand has the highest ratio of the minimum wage to the mean wage (average wage) amongst OECD countries (see figure below).

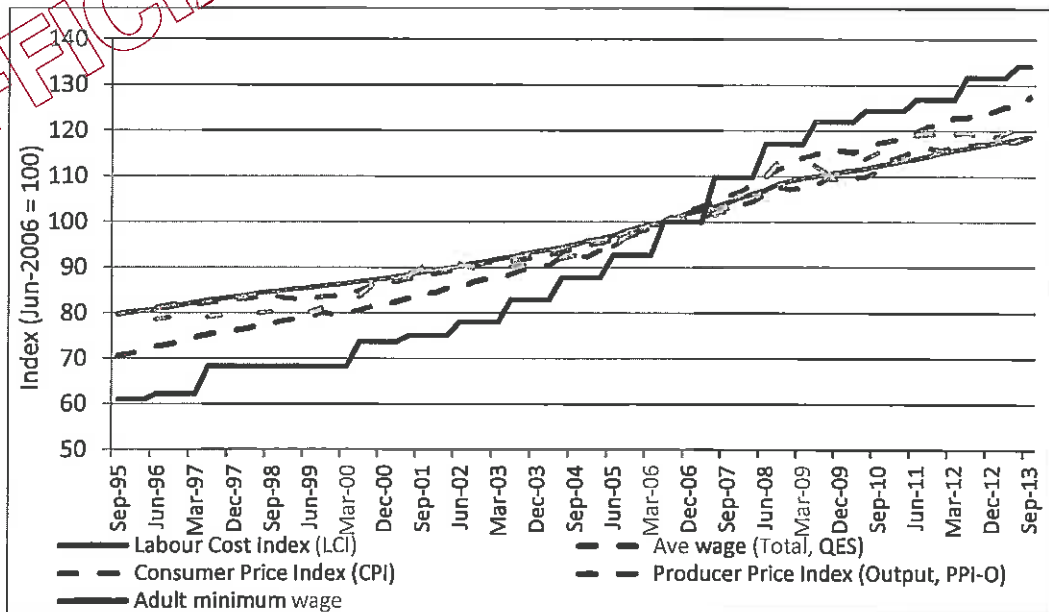
Figure 1: Comparison of minimum relative to mean wages and GDP per capita among OECD, 2011



Source: OECD

Between 2000 and 2008, the minimum wage increased at a faster rate than general wages (as measured by the Labour Cost Index or QES) and general prices (as measured by the CPI), but from 2009 increases have been more in line with price inflation. Figure 2 shows increases in the minimum wage compared with various measurements of inflation over the past 13 years.

Figure 2: Increases in the minimum wage compared with various measures of inflation



Source: Statistics New Zealand

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withheld s9(2)(g)(i)

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**From:** Gerard Clark  
**Sent:** Wednesday, 19 February 2014 4:46 p.m.  
**To:** Tracy Torrance  
**Cc:** .Withheld s9(2)(g)(i)  
**Subject:** Q&A on minimum wage  
**Attachments:** 20140219 further QA on mw updated.docx

Hi Tracy – here is the Q&A requested on the minimum wage review. Sorry it is after 4 – I got stuck in a meeting that went past time and wasn't here to sign it out.

Cheers

Gerard

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## Questions and Answers on the minimum wage review

**Q: Why did the Government increase the minimum wage rate to \$14.25 an hour?**

A: The increase in the minimum wage is in line with the annual change in the annual median hourly earnings from wages and salaries (3.5 per cent to \$21.58 an hour in the year to June 2013 year according to the New Zealand Income Survey 2013). The increase was chosen for the following reasons:

- This is a modest increase that aligns with our cautious approach. The Ministry of Business, Innovation and Employment (MBIE) advises that the impact of this increase on employment growth is negligible.
- The modest increase will have a positive financial and social impact for low-paid workers through an increase in their income. It would affect up to 109,000 workers directly.
- This increase is most consistent with the objective for the minimum wage review, which is 'to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses'

Setting the minimum wage requires balancing the benefits of any changes, such as the protection of the lowest paid, against the costs that any changes might bring, such as negative employment impacts. I believe this modest increase balances the needs of both businesses and workers and will have minimal impact on the wider labour market and inflationary pressures.

**Q: When will the new rate come into force?**

A: The new minimum wage rate will come into force on 1 April 2014. I would expect people will know what the new rate will be about a month before it comes into force.

**Q: What options did the Minister consider for the 2013 review?**

A: Six options were considered for the minimum wage review in 2013:

- Option 1: \$13.75 an hour (status quo)
- Option 2: \$13.90 an hour (in line with CPI change)
- Option 3: \$14.00 an hour (in line with annual average wage change)
- Option 4: \$14.25 an hour (in line with annual median wage change)
- Option 5: \$15.00 an hour (proposed by NZCTU in 2012 review)
- Option 6: \$18.40 an hour (proposed as a 'living wage').

**Q: What factors were taken into account when considering whether the minimum wage should be increased?**

A: The Government's objective for the minimum wage 'to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses'. In line with that objective I considered the following factors when considering whether the minimum wage should be increased in 2014:

- inflation
- wage growth

- restraint on employment, and
- other relevant factors.

Other relevant factors I am considering in this year's review include the impacts on minimum wage workers, impact on industries, impact on the state sector and the interface with other government policies.

**Q: Who was consulted on this year's minimum wage review?**

A: The Minister of Labour invited the social partners Business NZ and the New Zealand Council of Trade Unions to make submissions on the annual minimum wage review. Written submissions were received from both organisations.

**Q: What other state agencies were consulted for the 2013 review?**

A: The Treasury, State Services Commission, Ministry of Pacific Island Affairs, Ministry of Women's Affairs, Te Puni Kōkiri, Ministry of Social Development, Ministry of Health, Ministry of Education, Accident Compensation Corporation and Inland Revenue Department were consulted on the minimum wage review.

**Q: What advice did the Minister of Labour get from MBIE regarding the impact of the minimum wage increase on employment growth?**

A: MBIE advises that minimum wage increases could have negative employment effects, including lower job growth and reduced hours, particularly from a significant rise in the level of the minimum wage. The extent of these effects will depend on the size of the wage increase and the economic and labour market context in which it occurs, and are most likely to impact on some demographic groups, such as youth and Māori/Pacific. For example, increasing minimum wage to \$15.00 an hour could constrain 5,000 jobs and increasing to \$18.40 could constrain 24,000 jobs.

**Q: Does the Minister agree with recent research that indicates that the minimum wage has little impact on jobs?**

A: While not all studies find an overall impact of the minimum wage on employment, there is general agreement that the minimum wage can cause employers to substitute some groups of workers (e.g. youth and unskilled) for other groups of workers. For example, a New Zealand study in 2011 by Hyslop and Stillman found that the removal of the youth minimum wage rate reduced the number of 16 and 17 year olds in employment by 3 to 6 percentage points (4,500-9,000 jobs).

The extent to which employment will be affected also depends on the economic climate and the level of the minimum wage. Economic growth in New Zealand is still uneven, and New Zealand already has the highest ratio of minimum to average wage in the OECD (49 per cent). These factors indicate that a large increase would be unwise.

**Q: Does the Minister agree that the recent economic situation warrants a large increase in the minimum wage?**

A: Economic growth in New Zealand is still uneven, and New Zealand already has the highest ratio of minimum to average wage in the OECD (49 per cent). The Government has given the highest level of

minimum wage increase possible without risking adverse economic impacts, including significant job losses.

**Q: Is the Minister comfortable with the minimum wage being well below what is needed for an adequate standard of living?**

A: The minimum wage rate is set at a level that balances the need to protect the real income of minimum wage workers and minimise job losses. \$18.40 is very close to the median wage of \$21.58. A lot of workers (40 per cent) earn below \$18.40. Such a significant increase in the minimum wage would significantly constrain employment growth, leaving a lot of people worse off, particularly young people who are entering the labour market and need to gain work experience.

Furthermore, the minimum wage is only part of the income of low income workers. There is a range of other government interventions and initiatives aimed at protecting employment and increasing incomes. These interventions include labour market policies, the social assistance system, the taxation system, and education and training policies.

**Q: Why doesn't the Government increase the minimum wage to \$15 an hour this year?**

A: Increasing minimum wage to \$15.00 an hour would significantly increase the real value of the minimum wage and its relativity with other income benchmarks. However, this option could constrain employment growth by up to 5,000 jobs. It could increase annual economy-wide wages by \$224 million and inflation by 0.10 percentage points. This is not consistent with our objective for minimum wage and would unduly constrain employment growth.

**Q: Why does the Government not set the minimum wage at the level of a living wage?**

A: The Government is firmly focussed on growing the economy and boosting incomes. However, the \$18.40 an hour living wage (increased to \$18.80 in February 2014) as proposed by the Family Centre, is calculated on a two-adult, two-child family, whereas many low income earners are in different circumstances (53 per cent of households earning below \$18.40 are single adults without dependants).

It is estimated that up to 26,000 job could be lost if the minimum wage were increased to \$18.40. There is a range of income support packages available for people on a low wage with children.

**Q: Why doesn't the Government increase the minimum wage to match Australia's?**

A: Australia has a higher minimum wage for adult in terms of hourly rate. However, they have much lower minimum wage rates for apprentices, juniors and trainees. New Zealand has the highest ratio of minimum wage to the average wage in the world. The Government is firmly focussed on growing the economy and boosting incomes so we can continue to increase the minimum wage.

**Q: What is the process for reviewing the level of the minimum wage in 2013?**

A: In 2012, a cyclical process was adopted to review the minimum wage rate, that is a comprehensive review would be completed every fourth year, with the other three years requiring a streamlined process focusing on the key factors such as inflation, wage growth and unemployment,

and formal consultation undertaken with the social partners only. This process has been followed in the 2013 review.

**Q: Why has the Government streamlined the way it reviews the minimum wage?**

A: The streamlined minimum wage review process was first used in 2013. It recognises that the former review process was unnecessarily repetitive and complex. It provides for greater certainty to businesses and employees with respect to potential changes in the minimum wage rates. It also ensures that the minimum wage review process aligns with other strategies, such as the Safe and Skilled Workplaces strategy. The full process is still used every fourth year.

**Q: How many people are currently on the minimum wage rate?**

A: In 2013, we had approximately 54,600 people (aged 16 -64) earning the adult minimum wage (\$13.75/hr). This makes up about 2.4 per cent of all employees. Minimum wage is more likely to be paid to young people, women, Māori, Pacific peoples and people without formal qualifications. These people are more likely to work in the retail and hospitality industries.

**Q: What is the percentage of women working on the minimum wage?**

A: There are slightly more women earning the minimum wage than men. Statistics show 58 per cent of minimum wage workers aged between 25 and 64 are women. In comparison, just under half of the total workforce are women. Therefore, a small increase in the minimum wage is unlikely to significantly affect the gender pay gap.

**Q: What is the percentage of young people working on the minimum wage?**

A: Statistics shows over 60 per cent of those earning the minimum wage are between 16 and 24 years of age, while they account for around 16 per cent of total wage workers. However, most young people do not remain in minimum wage jobs long term. They move on to higher paying jobs as they gain skills and work experience.

**Q: How do increases in the minimum wage rate compare with increases in the average wage?**

A: Minimum wage rate increases have kept broadly in line with increases in the average wage over the past six years.

*Recent changes in minimum wage rates*

Time Period	Adult Minimum Wage	Youth Minimum Wage <sup>1</sup>	% Change	Annual increase in average wage <sup>2</sup>
April 2005	\$9.50	\$7.60	5.6%	3.6%
April 2006	\$10.25	\$8.20	7.9%	5.4%
April 2007	\$11.25	\$9.00	9.8%	4.7%
April 2008	\$12.00	\$9.60	6.7%	4.7%

<sup>1</sup> This includes new entrants and training rates and the starting-out wages rates (from 2013).

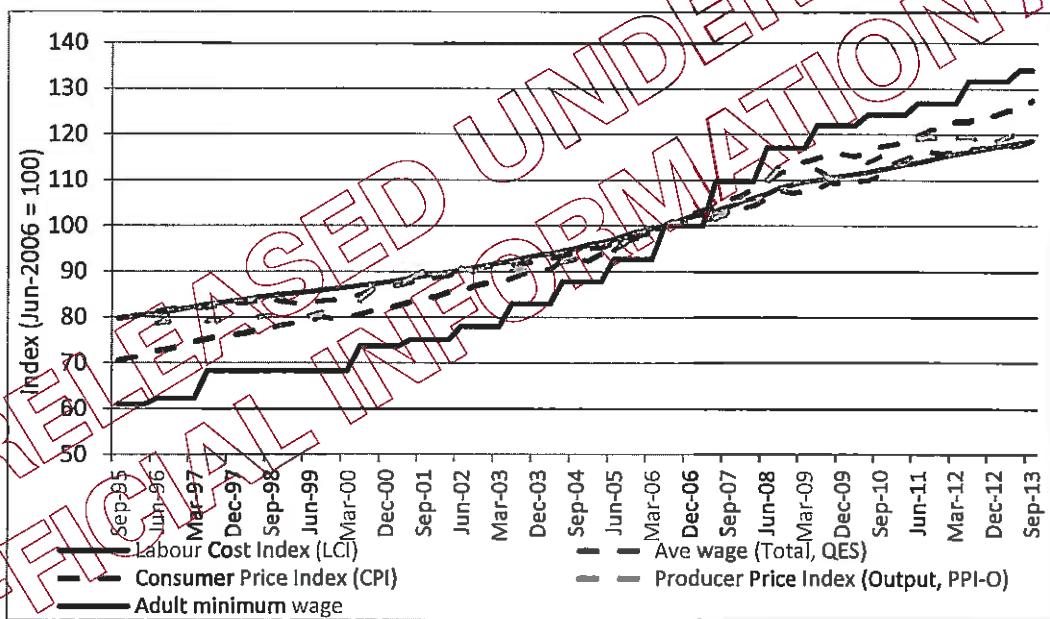
<sup>2</sup> Source: Ordinary time hourly wages, Quarterly Employment Survey, March quarters, Statistics NZ.

April 2009	\$12.50	\$10.00	4.2%	5.4%
April 2010	\$12.75	\$10.20	2.0%	1.0%
April 2011	\$13.00	\$10.40	1.9%	2.6%
April 2012	\$13.50	\$10.80	3.7%	3.8%
April 2013	\$13.75	\$11.00	1.9%	2.1%

**Q: How has the minimum wage rate increased against general wages and prices?**

**A: Between 2000 and 2008, the minimum wage increased at a faster rate than general wages (as measured by the Labour Cost Index or QES) and general prices (as measured by the CPI), but from 2009 increases have been more in line with price inflation.**

*Increases in the minimum wage compared with various measures of inflation*



Source: Statistics New Zealand

**Q: How does New Zealand's minimum wage rate compare with other OECD countries?**

**A:** New has one of the highest minimum wage rates in the OECD. New Zealand has the fifth highest minimum wage as an hourly rate and the third highest as annual income.

*Ranking of the minimum wage rate in OECD countries*

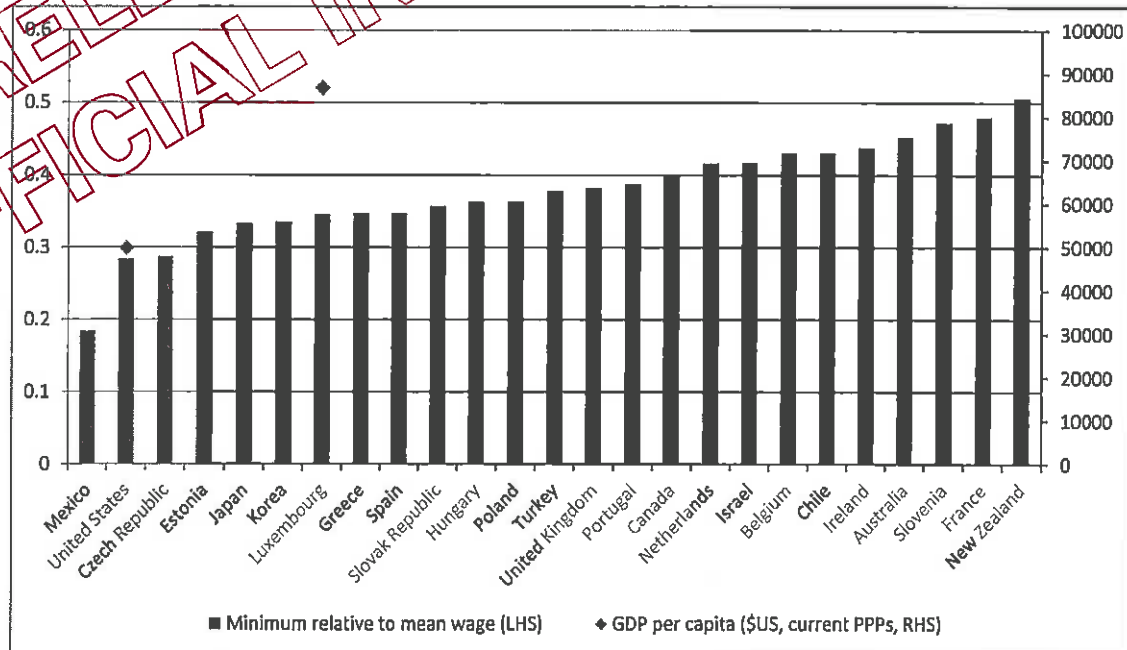
As Annual Income			Standard work week (hours)	As Hourly Rate		
Rank	Country	US\$		Rank	Country	US\$
1	Australia	US\$33,355	38	1	Australia	US\$16.88
2	Luxembourg	US\$29,611	40	2	Luxembourg	US\$14.24
3	<b>New Zealand</b>	<b>US\$23,252</b>	40	3	France	US\$12.09
4	Belgium	US\$23,104	38	4	Belgium	US\$11.69
5	Canada	US\$22,766	44	5	<b>New Zealand</b>	<b>US\$11.18</b>
6	Netherlands	US\$22,747	40	6	Ireland	US\$11.09
7	Ireland	US\$22,490	39	7	Netherlands	US\$10.94
8	United Kingdom	US\$19,896	38.2	8	United Kingdom	US\$10.02

Source: Country sources 2013<sup>3</sup>

**Q: How does New Zealand's ratio of minimum wage to the average wage compare with other OECD countries?**

**A:** New Zealand has the highest ratio of the minimum wage to the mean wage (average wage) amongst OECD countries.

*Comparison of minimum relative to mean wages and GDP per capita among OECD, 2011*



Source: OECD

<sup>3</sup> The exchange rates used to convert local currency to US dollars are the official exchange rates listed by the World Bank for 2012. They are calculated as an annual average based on monthly averages of the local currency unit (LCU) to US dollar in 2012.

## Starting out wage rate and training minimum wage rate

**Q: Why did the Government continue to set the starting-out wage and training minimum wage at 80 per cent of the adult minimum wage, thus continuing to discriminate on the grounds of age and employment status?**

**A:** The Government continues to set the starting-out wage to support some young people into employment for the following reason:

- There are negative long-term economic and social effects associated with young people being out of work, especially if they remain unemployed for significant periods of time. The starting-out wage was designed to help get young people into work and work-based training.
- While there has been a stronger labour market performance over the past year the unemployment rate for the 15 to 19 year old age group is still high, being 23.4 per cent in September 2013.

Labour market conditions and the unemployment rate have not changed significantly enough over the past year to warrant increasing the relativity of the starting-out wage from the status quo of 80 per cent of the adult minimum wage.

**Q: How does the current adult minimum wage compare with other income benchmarks?**

**A:** The adult minimum wage is more than twice the effective rate for a single adult on Jobseeker Support (calculated to be \$4.80 an hour for a single adult aged 18-24 years old). It is approximately 64 per cent of the median wage (\$21.58 an hour in the New Zealand Income Survey, June 2013) and 49 per cent of the average wage (\$27.98 an hour in the QES, September 2013).

**Q: Given recent statistics released on child poverty, why isn't 'reducing poverty' an aim of the minimum wage?**

**A:** The minimum wage is too blunt a tool to solve complex socio-economic issues like child poverty and successive increases in the minimum wage have not solved it. This Government, through the efforts of my colleague, the Minister of Social Development, is working closely with groups that understand what needs to be done to address, reduce, and, ideally, eliminate child poverty. A range of actions are required across a number of portfolios, many of which are in train, or will be in train in the short to medium term. This Government is taking an investment approach towards our children; such an approach will not deliver results overnight, but it will deliver.

In setting the minimum wage, we have to balance the benefits of increased income for employees with the prospect of slowing job growth, or, worse, the loss of some jobs (or reduced hours of work). None of these employment effects would assist the children of affected workers. Child poverty is a complex issue that needs to be addressed through targeted actions across a range of portfolios.

**Q: How will the government ensure compliance with the new minimum wage rate?**

A: Some employers may choose not to comply with minimum wage legislation or delay their compliance with an increase in the minimum wage. MBIE will continue to support sustainable compliance through education, engagement and enforcement. The labour inspectors have a range of enforcement tools for responding to non-compliance. To address the increasing concerns and media attention regarding migrant exploitation (the majority of cases involve a breach of minimum wage law), the labour inspectorate is taking targeted enforcement activities in the high risk industries, such as hospitality, fishing, agriculture and the Canterbury rebuild. Where evidence of exploitation is identified, tougher enforcement actions have been taken.

**Q: How does the on-going Terranova (Pay Equity) case relate to minimum wage increases?**

A: The Government supports pay equity between women and men. However it intervened in the case because:

- The Government does not agree with the Court's finding that the scope of the Equal Pay Act 1972 covers pay equity
- The Government considers that pay equity claims are best resolved by the employers, employees (or their representatives) themselves through the bargaining process or other negotiations, rather than through the courts.

Women are more likely to be affected by any changes to the minimum wage rate as they tend to be overrepresented in low paid jobs (eg part-time and service sector jobs). Just over half of all minimum wage workers are women, and 58 per cent of minimum wage workers aged between 25 and 64 are women. In comparison, just under half of the total workforce is female.

MBIE calculates that, on average, the hourly wage rate for women is 86.8 per cent of the hourly wage rate for men. Thus women earn about 13 per cent less than men per hour.<sup>4</sup> However, a small increase in the minimum wage is unlikely to significantly affect the gender pay gap. For example, if the wages of all workers earning between \$13.75 and \$13.99 were raised to \$14.00, the gender pay gap would be unaffected.

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<sup>4</sup> This is calculated according to the QES in September quarter 2013.