

From: [Oscar Cornfield](#)
To: [Zach Boyle \(Parliament\)](#)
Cc: [Raymond Chen](#); [Nic Blakeley](#); [Anna Clark](#); [Alison Marris](#); [Tracy Mears](#); [Simon Cooke](#); [Josephine Li](#); [Nikita Decruy](#); [Katherine Macneill](#); [Beth Goodwin](#); [Briefings](#); [Ministerial Services](#)
Subject: Briefing 2324-0956 titled Minimum Wage Review 2023 – Setting the 2024 rates [IN-CONFIDENCE]
Date: Thursday, 30 November 2023 2:55:35 pm
Attachments: [2324-0956 Minimum Wage Review 2023 – Setting the 2024 rates.pdf](#)
[Annex One Draft Minimum Wage Review 2023 \(30.11.23\).pdf](#)
[2324-0956 Minimum Wage Review 2023 – Setting the 2024 rates.docx](#)
[Annex One Draft Minimum Wage Review 2023 \(30.11.23\).docx](#)
Importance: High

Kia ora Zach,

Please find attached briefing 2324-0956 titled “*Minimum Wage Review 2023 – Setting the 2024 rates*”, plus the attached draft *Minimum Wage Review 2023* as Annex One.

The decision sought from the Minister is a new minimum wage rate for 2024 to progress to Cabinet.

Please note that the MW review is technically still a draft but in an advanced state. The initial feedback from the MBIE RIA panel it meets the standard necessary to take to cabinet. Some of the technical parts of the review may be subject to tweaks up until we present the final cabinet paper to the Minister for lodgement, alongside the finalised MW review.

Thanks and happy to discuss

Oscar

Oscar Cornfield

Senior Policy Advisor

Employment Relations Policy, Labour and Immigration Policy Branch

Hikina Whakatutuki | Ministry of Business, Innovation & Employment

Īmera: Oscar.Cornfield@mbie.govt.nz | Waea tōtika: +64 4 913 3929

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BRIEFING

Minimum Wage Review 2023 – Setting the 2024 rates

Date:	30 November 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2324-0956

Action sought		
	Action sought	Deadline
Hon Brooke van Velden Minister for Workplace Relations and Safety	Note MBIE's analysis of the minimum wage options for 2024 in the draft <i>Minimum Wage Review 2023</i> report (attached as Annex One). Indicate the adult minimum wage rate option/s that you would like to take to Cabinet for consideration.	4 December 2023 (if a Cabinet decision is sought before the end of 2023)

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Alison Marris	Manager, Employment Standards Policy	04 901 8564	s 9(2)(a)	✓
Oscar Cornfield	Senior Policy Advisor, Employment Relations Policy	04 897 6616		
Josephine Li	Policy Advisor, Employment Standards Policy	04 896 5612		

The following departments/agencies have been consulted
The Treasury, Department of the Prime Minister and Cabinet (Policy Advisory Group)

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 |

Comments

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BRIEFING

Minimum Wage Review 2023 - Setting the 2024 rates

Date:	30 November 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2324-0956

Purpose

To provide you with the draft *Minimum Wage Review 2023* report and to seek your view on changes to the minimum wage rates in 2024.

Recommended action

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

- a **Note** MBIE's analysis of the minimum wage options for 2024 in the attached draft *Minimum Wage Review 2023* report

Noted

- b **Note** that the Coalition Agreement between the National Party and New Zealand First commits to "moderate increases to the minimum wage every year"

Noted

- c **Indicate** the adult minimum wage rate option/s that you would like to take to Cabinet for consideration:

- i. **Option 1:** 0 percent increase, **\$22.70** (no change) *Include / Don't include*
- ii. **Option 2:** 1.5 percent increase, **\$23.00** *Include / Don't include*
- iii. **Option 3:** 3 percent increase, **\$23.40** *Include / Don't include*
- iv. **Option 4:** 4 percent increase, **\$23.60** *Include / Don't include*
- v. **Option 5:** 5 percent increase, **\$23.80** *Include / Don't include*
- vi. Custom increase to \$ _____ *Include / Don't include*

- d **Agree** to recommend to Cabinet that the starting-out and training minimum wage rates be set at 80 percent of the adult minimum wage rate option selected above (maintaining the current relativity)

Agree / Disagree

- e **Agree** to recommend to Cabinet that any increase to the minimum wage in 2024 should come into effect on 1 April 2024 (this has become customary over the past 17 years)

Agree / Disagree

f **Note** that, following your decisions, MBIE will provide you with a draft Cabinet paper for submission to Cabinet

Noted

g **Note** that we will work with your office to provide material to support an announcement, which is usually made in December or January.

Noted



Alison Marris
Manager, Employment Standards Policy
Labour, Science and Enterprise, MBIE

30 / 11 / 2023

Hon Brooke van Velden
Minister for Workplace Relations and Safety

..... / / 2023

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Background

New Zealand's current minimum wage as a proportion of the median wage is high by international standards

1. The current minimum wage rates are \$22.70 per hour for adults and \$18.16 per hour for starting-out workers and trainees. New Zealand's adult minimum wage to median wage ratio is now 72 percent (based on data from the June 2023 Household Labour Force Survey), which is relatively high compared to most other OECD countries. By comparison, the United Kingdom has set a target rate of 66 percent of the median wage for its minimum wage (which it is aiming to reach by 2024).
2. Rate increases decided by the previous Government between 2018 and 2020 increased the value of the minimum wage in real terms (i.e. exceeding consumer price index (CPI) inflation) and relative to the median wage (from about 66 percent of the median in 2017). More recently, the minimum wage has increased approximately in line with inflation. For example, in April 2023 the minimum wage increased by 7.1 percent, which was high in nominal terms, but only approximately compensated for annual CPI inflation.

You have a statutory obligation to review the minimum wage rates annually

3. Section 5(1) of the *Minimum Wage Act 1983* (the Act) requires the Minister of Labour (now the Minister for Workplace Relations and Safety) to review the minimum wage by 31 December every year. You will fulfil this obligation by considering MBIE's *Minimum Wage Review 2023* report (attached as **Annex One**). There is no obligation to change the minimum wage rates or to make decisions on the rates by a particular date, only to receive and consider the review.
4. In previous years, the responsible Minister has recommended an increase to the minimum wage rates to Cabinet for a final decision, with the amended rates given effect through an Order in Council. If there is a change to the minimum wage rates, this is normally announced in December or January and comes into effect on 1 April in the year following the review. This aligns with the tax year and annual adjustments to the thresholds for supports such as the Accommodation Supplement, the Minimum Family Tax Credit, and the main social security benefits.

Cabinet agreed an objective in 2012 for the minimum wage review

5. Since 2012, the core objective for successive Governments in reviewing the minimum wage has been '*to keep increasing the minimum wage over time to protect the real income of low paid workers while minimising job losses*' [CAB Min (12) 41/5B refers].
6. Cabinet also agreed in 2012 to change the process for the minimum wage review to provide a comprehensive review every four years and a streamlined review in the intervening years [CAB Min (12) 41/5B refers].¹
7. Comprehensive reviews were carried out in 2020, 2021 and 2022, in response to the complex economic climate arising from the COVID-19 pandemic, proposals to set a future trajectory for the minimum wage, and an evolving inflationary environment. The previous Minister for

¹ The difference between streamlined and comprehensive reviews lies in the need to consider 'other relevant factors' beyond the principal three factors (inflation, wage growth and restraint on employment), and the extent to which consultation extends beyond the social partners (BusinessNZ and NZCTU) to represent business and worker interests in the review.

Workplace Relations and Safety decided that the 2023 minimum wage review should be undertaken using a streamlined approach, resuming the pattern of reviews set by Cabinet in 2012 [briefing 2223-4107 refers].

The National Party and New Zealand First Coalition Agreement provides important context for this year's rate decision

8. The Coalition Agreement between the National Party and New Zealand First commits "to moderate increases to the minimum wage every year". There are several minimum wage options considered in the attached review which you may consider support this objective

Minimum Wage Review analysis and recommendation

9. The review, attached as **Annex One**, analyses the potential impacts of the following adult minimum wage rate options, which the previous Minister agreed should be included in the analysis:
- Option 1: \$22.70 per hour (status quo)
 - Option 2: \$23.00 per hour (1.5 percent / \$0.30 increase)
 - Option 3: \$23.40 per hour (3 percent / \$0.70 increase)
 - Option 4: \$23.60 per hour (4 percent / \$0.90 increase)
 - Option 5: \$23.80 per hour (5 percent / \$1.10 increase)
 - Option 6: \$24.00 per hour (6 percent / \$1.30 increase)
 - Option 7: \$24.30 per hour (7 percent / \$1.60 increase)
 - Option 8: \$25.00 per hour (10 percent / \$2.30 increase)
 - Option 9: \$26.00 per hour (14.5 percent / \$3.30 increase, 2023/24 Living Wage).

This year's review coincides with a noticeable 'softening' in the labour market

10. The previous two minimum wage reviews occurred in the context of high inflation, high wage growth, high labour market participation, and record low unemployment. These conditions occurred in response to COVID-19 pandemic-related monetary and fiscal stimulus policies, supply chain disruption, and restrictions on offshore migrant workers due to closed borders.
11. The economic and labour market context has significantly changed over the past year. While unemployment remains low, there are signs of a 'softening' labour market. Unemployment is forecast to peak at 5.4 percent in early 2025 and employment growth is forecast to reduce to 0.8 percent for the year to June 2024.²
12. While wage growth is currently strong, it is forecast to slow down. In addition, the trajectory of recent minimum wage increases, relative to broader wage growth, has coincided with a more compressed distribution of wages in the lower-earning half of the labour market.

² These forecasts are from Treasury's Pre-election Economic and Fiscal Update, published in September 2023. <https://www.treasury.govt.nz/sites/default/files/2023-09/prefu23.pdf>

13. The large increases to the minimum wage over recent years do not appear to have restrained job growth, but it is possible a similar sized increase in 2024 might do so. This is because the less favourable economic conditions mean that the labour market in 2024 could be more susceptible to restraint on employment in response to a large increase in the minimum wage, suggesting the need for caution when setting minimum wage rates for 2024.

MBIE considers that an increase to the minimum wage of around four percent would balance the elements of the 2012 Cabinet objective and other considerations

14. Protecting the real income of low paid workers in line with the 2012 Cabinet objective implies that the minimum wage should increase by at least the rate of inflation. If this is understood to relate strictly to inflation over the year since the minimum wage was last adjusted, then an increase of around 4 per cent would approximate for this (Treasury's Pre-election Economic and Fiscal Update (PREFU) 2023 forecast is for annual CPI to be 4.3 percent in March 2024, falling to 3.8 percent in June 2024).
15. The Cabinet objective does not, however, specify the time period over which the minimum wage's real value is to be assessed. Options for a minimum wage increase below the rate of current inflation could be consistent with the Cabinet objective if it was measured over the longer term (noting that the real value of the minimum wage consistently increased from 2012-2020). The trade-off in taking a longer-term view is the impact it would have on minimum wage workers' ability to keep up with the current cost of living pressures.
16. In terms of employment impacts (the other core part of the 2012 Cabinet objective), MBIE's minimum wage model does not predict any restraints on employment would result from an increase of 3 to 5 percent (or less) for 2024. However, given the economic outlook, there is a risk that the labour market's capacity to absorb minimum wage increases may prove to be less than is assumed in the model. A cautious approach would be to implement a rate in the mid-to-low end of the 3 to 5 percent range.
17. Overall, MBIE's view is that a 4 percent increase for 2024 is appropriate. It appears to balance both aspects of the Cabinet objective, since it is not expected to restrain job growth and broadly accounts for the annual cost of living.
18. The review has focused on the adult minimum wage rate with the presumption that the starting-out and training minimum wage rates remain at 80 percent of the adult minimum wage rate (legislation requires these to be at least 80 percent of the adult minimum wage rate). The limited data available indicates relatively low uptake of these rates.

Consultation

19. MBIE consulted with BusinessNZ and the New Zealand Council of Trade Unions (NZCTU) on the review, which acted as representatives of business and worker interests respectively.
20. BusinessNZ acknowledged that no rise in the minimum wage "effectively represents an austerity measure" for workers but also noted that increasing it to the Living Wage would be an excessive shock to businesses and would largely not reflect the actual needs of many minimum wage workers.
21. BusinessNZ noted that it was prepared to support options that approximated the average in the movements of the CPI and the Labour Cost Index (LCI), since these are core indicators of the need to move wages. Their supplied modelling, which indexed the minimum wage to

movements of the CPI and LCI, produced an adult minimum wage rate for April 2024 of \$23.69. This is close to MBIE's recommended option of \$23.60.

22. The NZCTU and its affiliates support a common policy position for the minimum wage, which is to increase the minimum wage to the Living Wage (currently \$26.00 per hour); remove the starting-out and training minimum wage rates; and establish a tripartite body to be responsible for making recommendations to you, as Minister for Workplace Relations and Safety, on the minimum wage (the latter also being supported by BusinessNZ).

Announcement and next steps

23. You may wish to engage your colleagues on the contents of the draft report and test your preferred option with them, ahead of selecting rates to present to Cabinet.

MBIE suggests signalling minimum wage changes as soon as possible to allow employers time to plan for any change

24. Changes to the minimum wage are normally announced prior to Christmas. However, the past two minimum wage announcements were made in January or February of the year that the increase came into force. This was so that the latest inflation data could be considered before deciding on a minimum wage rate in the highly volatile global economic environment.
25. Concerns were raised by employer and industry representatives that a deferred decision and announcement did not provide businesses with sufficient time to plan for the change. MBIE suggests signalling minimum wage changes as soon as you are able to so that employers can prepare.

You have options around the timing of Cabinet consideration and announcements

26. Once you have indicated to MBIE which option/s you wish to take to Cabinet, we will prepare a draft Cabinet paper for you. While it would be possible to seek a Cabinet decision before the end of the year, this would limit the time available for Ministerial consultation and require the paper to be submitted directly to Cabinet (rather than being considered by a Cabinet Committee first).
27. Should you wish to seek a Cabinet decision before Christmas, the last possible Cabinet meeting is on Monday 18 December 2023. If approval is given for the Cabinet paper to go directly to Cabinet, it must be lodged with the Cabinet Office by 14 December in order to be considered on 18 December. This timeline does not provide a buffer in case a deferral or resubmission is required.
28. You may prefer to seek Cabinet agreement and make announcements in the New Year. If this is your preference, we can provide an indicative timeline which outlines key milestones to enable final decisions on the minimum wage rates for 2024.
29. We look forward to discussing this work with you.

Annexes

Annex One: Draft Minimum Wage Review 2023 Report

Released under the Official Information Act

From: [Alison Marris](#)
To: [Zach Boyle \(Parliament\)](#)
Cc: [Oscar Cornfield](#); [Simon Cooke](#)
Subject: Talking points on MWR Dec 2023 [IN-CONFIDENCE]
Date: Friday, 15 December 2023 1:56:56 pm
Attachments: [Talking points on MWR Dec 2023.docx](#)

Kia ora Zach

Attached is background/talking points on the minimum wage review in case you find this useful for Monday's oral item.

We're currently working on the chart request – while I'm hopeful we can come back to you this afternoon, do you have an ultimate deadline for this?

ngā mihi,
Alison

Alison Marris ([she/her](#))

MANAGER, EMPLOYMENT STANDARDS POLICY

Labour, Science and Enterprise
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MBIE, 15 Stout Street, PO Box 1473, Wellington 6011

NZBN 9429000106078

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Context for the review

- As Minister for Workplace Relations and Safety, I have a statutory obligation under section 5(1) of the Minimum Wage Act 1983 to review the minimum wage rates by 31 December each year.
- At the end of November 2023, I received the draft Minimum Wage Review from the Ministry of Business, Innovation and Employment, thereby satisfying the statutory requirement.
- The objective for the review (as set by Cabinet in 2012) is “to keep increasing the minimum wage over time to protect the real income of low paid workers while minimising job losses”.
- The National/New Zealand First Coalition agreement commits to “moderate increases to the minimum wage every year”.

Key considerations of the review

- MBIE’s review analysed nine options, from no change to a 14.5 percent increase (to match the current living wage of \$26.00 per hour). The review considered inflation, wage growth, restraint on employment, Government fiscal impacts, and distributional impacts of minimum wage changes.

Labour market context and economic outlook

- The previous two minimum wage reviews occurred in the context of high inflation, high wage growth, high labour market participation, and record low unemployment. This resulted in high nominal increases, but little change in real terms, to the minimum wage in 2021-23.
- The economic and labour market context has significantly changed over the past year - while unemployment remains low, there are signs of a ‘softening’ labour market such as a reduction in online advertised job vacancies, gradually rising unemployment, high net migration and the recent drop in Gross Domestic Product.

Recommendation and other options available

- MBIE’s minimum wage model predicts no employment restraint (ie no restraint on job creation or change to job losses) will occur from any increase to the minimum wage of 5 percent or less. With regards to the cost of living, Consumer Price Index (CPI) inflation is still high, but easing, and is forecasted to be around 3 percent or less in the second half of 2024.
- Given the economic outlook, it is likely the labour market has less capacity to absorb minimum wage increases than recent years. Restraint on employment as a result of minimum wage increases may also be happening at the same time as unemployment is increasing for economic reasons and therefore be more noticeable.
- MBIE recommends an increase of **four percent to \$23.60** for the adult minimum wage. The Ministry considers this balances the Cabinet objective and other impacts considered.
- Protecting the real income of low paid workers implies that the minimum wage should increase by at least the rate of inflation. However, the Cabinet objective does not specify the time period over which the minimum wage’s real value is assessed.
- In recent years, Government decision making has focused more on a short-term response to conditions. However, options for a minimum wage increase below the rate of current inflation could be consistent with the Cabinet objective if it was measured over the longer term (noting that the real value of the minimum wage consistently increased from 2012-2020).

Consultation

- MBIE consulted with BusinessNZ and the New Zealand Council of Trade Unions (NZCTU):

- BusinessNZ acknowledged no increase “effectively represents an austerity measure” for workers and notes that the Living Wage would be “an excessive shock to businesses”. It supports options that reflect movements in the CPI and the Labour Cost Index, which is close to MBIE’s preferred option.
- NZCTU supports an increase to the Living Wage (currently \$26.00 per hour); removal of the starting-out and training minimum wage rates; and establishment of a tripartite body to make recommendations to Ministers on the minimum wage.

Timing

- It is important we make a decision promptly to provide businesses with sufficient time to plan for the change. As such, I began Ministerial consultation on the review soon after receiving a draft
- TBC: [I propose to bring a paper to Cabinet in January, seeking your decision on the minimum wage rates for 2024. To enable this, I would appreciate hearing from Ministers or their offices with any views by Wednesday please].
- It is my intention that the new rates come into effect on 1 April 2024 to align with the tax year and annual adjustments to thresholds such as the Accommodation Supplement and Family Tax Credit.

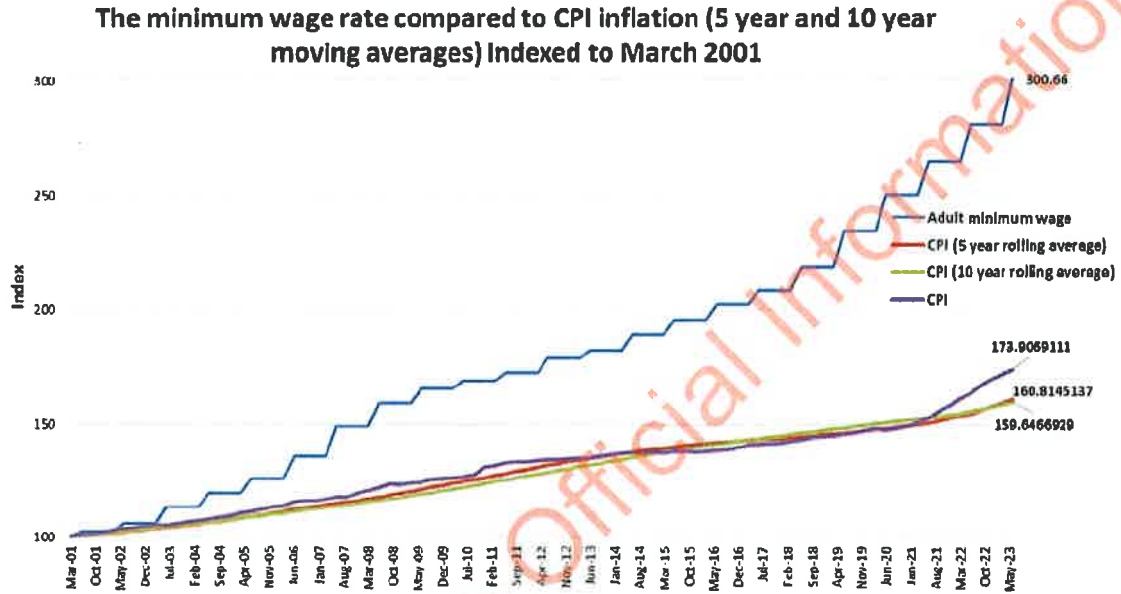
From: Alison Marris
 To: Zach Boyle (Parliament)
 Cc: Tracy Mears; Anna Clark; Oscar Cornfield
 Subject: MW Chart [IN-CONFIDENCE]
 Date: Monday, 18 December 2023 10:01:03 am
 Attachments: image001.png

Mōrena Zach

As promised, here's the additional chart.

Just for some context, you have asked for a chart that compares the minimum wage to a 5 and 10 year rolling average of CPI. We have reproduced Chart 14 from the Minimum wage review using this requested approach. It's worth noting that interpretation of this chart could be challenging, as it's an unusual comparison having an annual series with a rolling average over a long time period.

If you have any further requests, just let us know.



ngā mihi,
 Alison

Alison Marris ([she/her](#))
 MANAGER, EMPLOYMENT STANDARDS POLICY
 Labour, Science and Enterprise
 Ministry of Business, Innovation & Employment | Hikina Whakatutuki
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NZBN 9429000106078

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From: [Zach Boyle \(Parliament\)](#)
To: [Oscar Cornfield](#)
Cc: [Natalie Labuschagne](#); [Alison Marris](#); [Tracy Mears](#); [Simon Cooke](#)
Subject: RE: Minimum Wage - Timing [IN-CONFIDENCE]
Date: Friday, 12 January 2024 5:38:18 pm

Hey Oscar,

Yeah that's basically what I've had in mind, noting I haven't seen the draft you've worked on to this point. [REDACTED] s 9(2)(g)(i)

Suggest framing the narrative around a small increase being appropriate, and then having a section near the end where the Minister makes the case for 1.3% as opposed to the other options. MO can of course help with the framing of that argument early next week

Yeah decision points for the % in the recs, with a bolded and proposed version for 1.3% at this stage.

Thanks
Zach

From: Oscar Cornfield <Oscar.Cornfield@mbie.govt.nz>
Sent: Friday, January 12, 2024 4:17 PM
To: Zach Boyle <Zachary.Boyle@parliament.govt.nz>
Cc: Natalie Labuschagne <Natalie.Labuschagne2@mbie.govt.nz>; Alison Marris <Alison.Marris@mbie.govt.nz>; Tracy Mears <Tracy.Mears@mbie.govt.nz>; Simon Cooke <Simon.Cooke@mbie.govt.nz>
Subject: RE: Minimum Wage - Timing [IN-CONFIDENCE]

Kia ora Zach

Key thing I want to check (Alison may have more questions).

Would you like the Cab paper narrative to be based around a 1.3 percent increase? But have a small section giving some space/options for the 2%, 3% and 4% increases? Then we leave some decision points for the % choice in the recs?

Thanks and happy to discuss
Oscar

From: Oscar Cornfield
Sent: Friday, 12 January 2024 3:53 pm
To: Zach Boyle <Zachary.Boyle@parliament.govt.nz>
Cc: Natalie Labuschagne <Natalie.Labuschagne2@mbie.govt.nz>; Alison Marris <Alison.Marris@mbie.govt.nz>; Tracy Mears <Tracy.Mears@mbie.govt.nz>; Simon Cooke <Simon.Cooke@mbie.govt.nz>
Subject: RE: Minimum Wage - Timing [IN-CONFIDENCE]

Thanks Zach, we'll put that in the cab paper.

We'll prepare cab package asap for early next week.

From: Zach Boyle <Zachary.Boyle@parliament.govt.nz>
Sent: Friday, 12 January 2024 3:49 pm
To: Alison Marris <Alison.Marris@mbie.govt.nz>
Cc: Oscar Cornfield <Oscar.Cornfield@mbie.govt.nz>; Natalie Labuschagne <Natalie.Labuschagne2@mbie.govt.nz>
Subject: RE: Minimum Wage - Timing [IN-CONFIDENCE]

Thanks Alison.

Sorry to cut it fine on Friday arvo, but have been discussing this today and have landed on a preferred approach for the Cabinet paper. Can the CAB paper please have the following rates as options in the reccs for Ministers to consider? Status quo, 1.3%, 2%, 3%, and 4%.

The current steer that I have on a preferred rate is **1.3%**, **s 9(2)(g)(i)**. I'll keep you posted early next week!

Also re the Cab Minute from the oral item, I've been in touch with CabOffice and turns out there is no official Minute for this item, but the Deputy Secretary did confirm that the Minister noted she expected to report back with the paper on the 23rd of January.

Thanks
Zach

From: Alison Marris <Alison.Marris@mbie.govt.nz>
Sent: Tuesday, January 9, 2024 3:34 PM
To: Zach Boyle <Zachary.Boyle@parliament.govt.nz>
Cc: Oscar Cornfield <Oscar.Cornfield@mbie.govt.nz>; Natalie Labuschagne <Natalie.Labuschagne2@mbie.govt.nz>
Subject: Minimum Wage - Timing [IN-CONFIDENCE]

Out of Scope

[Redacted content]

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[Redacted]

Out of Scope	

Out of Scope
[Redacted]

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From: Oscar Cornfield <Oscar.Cornfield@mbie.govt.nz>

Sent: Wednesday, January 17, 2024 2:10 PM

To: Zach Boyle (Parliament) <zachary.boyle@parliament.govt.nz>

Cc: Raymond Chen <Raymond.Chen@mbie.govt.nz>; Nic Blakeley <Nic.Blakeley@mbie.govt.nz>; Anna Clark <Anna.Clark2@mbie.govt.nz>; Alison Marris <Alison.Marris@mbie.govt.nz>; Tracy Mears <Tracy.Mears@mbie.govt.nz>; Simon Cooke <Simon.Cooke@mbie.govt.nz>; Nikita Decrui <Nikita.Decrui@mbie.govt.nz>; Katherine Macneill <Katherine.MacNeill@mbie.govt.nz>; Beth Goodwin <Beth.Goodwin@mbie.govt.nz>; Briefings <briefings@mbie.govt.nz>; Ministerial Services <MinisterialServices@mbie.govt.nz>; Natalie Labuschagne <Natalie.Labuschagne2@mbie.govt.nz>

Subject: Briefing 2324-1131 titled 'Draft Cabinet paper – Minimum Wage Review: Setting the 2024 rates' [IN-CONFIDENCE]

Importance: High

Kia ora Zach,

Please find attached briefing 324-1131 titled '*Draft Cabinet paper – Minimum Wage Review: Setting the 2024 rates*'

Also attached is the draft cabinet paper '*Minimum Wage Review: Setting the 2024 rates*' as Annex One for the Minister to agree to lodge **by Friday 19 January 2023**, plus the Minimum Wage Review 2023 attached as Annex Two.

Please let me know if the office has any further questions or requests.

Thanks and happy to discuss

Oscar

Oscar Cornfield

Senior Policy Advisor

Employment Relations Policy, Labour and Immigration Policy Branch
Hikina Whakatutuki | Ministry of Business, Innovation & Employment
Īmera: Oscar.Cornfield@mbie.govt.nz | Waea tōtika: +64 4 913 3929



BRIEFING

Draft Cabinet paper – Minimum Wage Review: Setting the 2024 rates

Date:	17 January 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2324-1131

Action sought		
	Action sought	Deadline
Hon Brooke van Velden Minister for Workplace Relations and Safety	Agree to lodge the Cabinet paper for consideration	19 January 2024

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Alison Marris	Manager, Employment Standards Policy	04 901 8564	s 9(2)(a)	✓
Oscar Cornfield	Senior Policy Advisor, Employment Relations Policy	04 897 6616		

The following departments/agencies have been consulted
The Treasury and Department of the Prime Minister and Cabinet (Policy Advisory Group) were consulted on the Minimum Wage Review. BusinessNZ and the New Zealand Council of Trade Unions provided their views on the appropriate rates.

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 |

Comments

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BRIEFING

Draft Cabinet paper - Minimum Wage Review: Setting the 2024 rates

Date:	17 January 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2324-1131

Purpose

To provide you with a draft Cabinet paper seeking a decision on the minimum wage rates, for lodgement by Friday 19 January 2024.

Recommended action

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

- a **Note** that the attached Cabinet paper *Minimum Wage Review: Setting the 2024 rates* contains five options for the adult minimum wage rate, ranging from \$22.70 (status quo) to \$23.60 per hour, as requested by your office

Noted

- b **Note** your office has indicated the intention to lodge the paper (using the late lodgement process) by Friday 19 January 2024, to be considered by Cabinet on Tuesday 23 January or Cabinet Business Committee on Wednesday 24 January 2024

Noted

- c **Agree** to lodge the attached Cabinet paper *Minimum Wage Review: Setting the 2024 rates* by Friday 19 January 2024.

Agree / Disagree

Alison Marris
Manager, Employment Standards Policy
Labour, Science and Enterprise, MBIE

17 / 01 / 2024

Hon Brooke van Velden
Minister for Workplace Relations and Safety

..... / / 2023

Background

1. On 30 November 2023, the Ministry of Business, Innovation and Employment (MBIE) provided you with a copy of the Minimum Wage Review 2023 (the review) and advice on setting the rate for 2024 (briefing 2324-0956 refers).
2. On 18 December 2023, you provided an oral update to Cabinet, noting that a timely decision on the minimum wage rates would be required to provide businesses time to prepare for any change in rates and that a paper was being prepared for consideration on 23 January 2024.

The Cabinet paper includes five minimum wage options to consider

3. On Friday 12 January 2024, your office indicated your intention to seek a small to moderate increase in the adult minimum wage rate, incorporating the following range of potential options for Cabinet to consider:
 - a. Option 1 - \$22.70 per hour (status quo)
 - b. Option 2 - \$23.00 per hour (1.3 percent or \$0.30 increase) (your preferred option)
 - c. Option 3 - \$23.15 per hour (2.0 percent or \$0.45 increase)
 - d. Option 4 - \$23.40 per hour (3.0 percent or \$0.70 increase)
 - e. Option 5 - \$23.60 per hour (4.0 percent or \$0.90 increase).

Minimum Wage Review 2023 amendments

4. We have made minor changes to the Minimum Wage Review since the version you received on 30 November 2023 (briefing 2324-0956 refers). These changes incorporate feedback from MBIE's Regulatory Impact Assessment Review Panel, which is part of the standard Regulatory Impact Assessment process.
5. The most substantive change is that the review is now more explicit about why MBIE prefers option 4 (4 percent increase) over option 5 (5 percent increase) when both options arguably meet the objective of the review. This is because MBIE considers that a 4 percent increase provides a better safeguard for avoiding any restraint on employment in the context of the forecasted rising unemployment and reduced job growth.

Consultation

6. The Treasury, Department of the Prime Minister and Cabinet (Policy Advisory Group) were consulted on the review. Government departments were asked to quantify the financial impacts of the various rates.
7. BusinessNZ and the New Zealand Council of Trade Unions provided their views on the appropriate rates as representatives of employer and employee interests respectively.
8. We have kept Treasury and DPMC informed but, in line with usual practice for minimum wage decisions, we have not undertaken wider agency consultation on the attached draft Cabinet paper.

Next steps

9. For consideration at either Cabinet on Tuesday 23 January or Cabinet Business Committee on Wednesday 24 January 2024, the paper must be lodged by Friday 19 January 2024

(considered a late lodgement). If you consider this timeframe is too tight, we will work with your office to decide an alternative approach.

10. If you wish to proceed to Cabinet (or Cabinet committee) consideration next week, we will provide talking points to support the Cabinet discussion by Friday 19 January 2024.
11. Following Cabinet's decision, we will provide your office with a draft press release and communications material to announce the new rate. MBIE will also issue drafting instructions to Parliamentary Counsel Office to draft the amendment to Minimum Wage Order (the Order) setting the new rates.
12. In order to comply with the 28-day rule, the Order must be gazetted at least 28 days before coming into force on 1 April 2024. To achieve this, the latest that the Order can be approved by Cabinet and signed off by the Governor General at Executive Council is late February 2024. We expect to provide you with a draft copy of the Order and accompanying Cabinet paper in early February 2024, and we will advise you of timeframes once the Cabinet Committee schedule for February 2024 is confirmed.

Annexes

Annex One: Cabinet paper *Minimum Wage Review: Setting the 2024 rates*

Annex Two: Minimum Wage Review 2023

In Confidence

Office of the Minister for Workplace Relations and Safety

Cabinet

Minimum Wage Review: Setting the 2024 rates

Proposal

- 1 This paper seeks Cabinet's agreement to:
 - 1.1 one of the following adult hourly minimum wage rates from 1 April 2024: \$22.70 (status quo); \$23.00; \$23.15; \$23.40; or \$23.60; and
 - 1.2 amend the starting-out and training minimum wage rates from 1 April 2024 so that they remain at 80 percent of the selected adult minimum wage rate (sections 4A and 4B of the Minimum Wage Act 1983 (the Act) requires that these rates must not be less than 80 per cent of the adult minimum wage).

Relation to Government priorities

- 2 This decision links to the Government's commitment to '*moderate increases to the minimum wage every year*' as specified in the National Party and New Zealand First Coalition Agreement.

Executive Summary

- 3 The adult minimum wage is currently \$22.70 per hour, and the starting-out and training minimum wages are currently \$18.16 per hour. The current adult minimum wage was paid to approximately 59,500 workers aged 16 to 64 in June 2023 (2.9 percent of the employed population in this age range).
- 4 In line with the Government's commitment to '*moderate increases to the minimum wage every year*', I seek Cabinet's agreement to a small to moderate increase in the adult minimum wage rate from a range of potential wage rates that I believe can be justified given the current economic conditions. Options for the minimum wage rates are \$22.70 (status quo); \$23.00; \$23.15; \$23.40; or \$23.60. My recommendation is \$23.00 per hour which represents a 1.3 percent increase in the current minimum wage.
- 5 I propose that there be a corresponding increase in the starting out and training rates to maintain the 80 percent relativity to the adult minimum wage.
- 6 I propose that the new minimum wage rates should apply from 1 April 2024.

Background

- 7 As Minister for Workplace Relations and Safety, I have a statutory obligation under section 5(1) of the Act to review the minimum wage rates by 31 December each year. At the end of November 2023, I received the Minimum Wage Review (the review) and advice from the Ministry of Business, Innovation and Employment (MBIE) on setting the 2024 rates and used this as the basis of my review.
- 8 On 18 December 2023, I provided an oral update to Cabinet, noting that a timely decision on the minimum wage rates would be required in January 2024 to provide businesses time to prepare.

Objective for the review

- 9 Since 2012, the core objective for successive Governments in reviewing the minimum wage has been '*to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses*' [CAB Min (12) 41/5B refers].
- 10 Cabinet also agreed in 2012 that the minimum wage review would be comprehensive in nature every four years and streamlined in the intervening years [CAB Min (12) 41/5B refers]. This year's review is a streamlined review, as approved by the previous Minister for Workplace Relations and Safety.¹
- 11 Alongside the Cabinet objective for the review, the Government is committed to '*moderate increases to the minimum wage every year*' as set out in the National Party and New Zealand First Coalition Agreement.

Key factors considered in the Minimum Wage Review

- 12 The review analysed nine minimum wage options ranging from no change to a 14.5 percent increase to the Living Wage (currently \$26.00 per hour).² In line with recent reviews and the Cabinet objective, the review considered the following key factors in analysing the options:
- 12.1 inflation, using the Consumer Price Index (CPI) as the main indicator;
 - 12.2 wage growth, using the median wage, average hourly ordinary time earnings, and the adjusted Labour Cost Index (LCI), as the primary indicators;
 - 12.3 restraint on employment, estimated by MBIE's minimum wage model;

¹ The difference between streamlined and comprehensive reviews lies in the need to consider 'other relevant factors' beyond the principal three factors (inflation, wage growth and restraint on employment), and the extent to which consultation extends beyond the social partners (BusinessNZ and NZCTU) to represent business and worker interests in the review.

² The Living Wage is calculated by the Living Wage Movement Aotearoa NZ on the basis that it can provide a family of two adults and two children a reasonable standard of living when the parents work 60 hours a week in total, with one parent working full time and one part time.

- 12.4 Government fiscal impacts, calculated based on cost information received from agencies on how the minimum wage rate options would impact on their workforces and policy programmes; and
- 12.5 distributional impacts, including analysing the actual incomes of workers and households on the minimum wage after taxes and transfers.

Previous increases to the minimum wage

- 13 Between 1 April 2012 and 2021, every minimum wage increase was higher than annual CPI inflation. In response to higher inflation, the last two increases to the minimum wage were approximately in line with annual CPI inflation.
- 14 From June 2016 to June 2023, the adult minimum wage increased by 48.8 percent, from \$15.25 in 2016 to \$22.70 in 2023, and CPI inflation increased by 25.1 percent in total (using 2016 dollars). The most recent increase to the minimum wage was 7.1 percent in April 2023, from \$21.20 to \$22.70. This was roughly in line with the 7.2 percent annual CPI inflation recorded in December 2022 (the most recent data available at that time).
- 15 The extent of the increases to the minimum wage over the past decade mean that growth in the minimum wage has outpaced average wage growth (except for the past two years, which saw high rates of average and median hourly wage growth).³ As a ratio to the median wage, the minimum wage has increased from 62 percent of the median wage in June 2017 to 72 percent in June 2023.⁴ This has compressed the distribution of wages in the lower-earning half of the labour market, which can reduce the ability for businesses to pass on higher wages to more experienced and skilled workers.

I propose a small to moderate increase in the adult minimum wage

- 16 In considering the review, the present economic conditions, and the Government's commitment to "*moderate increases to the minimum wage every year*", I consider the following minimum wage options, ranging from the status quo to the review's recommended increase, to be broadly appropriate and justifiable:
 - 16.1 Option 1 - \$22.70 per hour (status quo).
 - 16.2 Option 2 - \$23.00 per hour (1.3 percent or \$0.30 increase).
 - 16.3 Option 3 - \$23.15 per hour (2.0 percent or \$0.45 increase).

³ Recent data from the Household Labour Force Survey (Income) and Quarterly Economic Survey show high rates of wage growth. In the year to June 2023, the median hourly wage rose by 6.6 percent to \$31.61 and average ordinary time hourly earnings increased by 6.9 percent to \$39.53 per hour.

⁴ Most of this growth occurred between 2017 and 2022 when the minimum wage significantly rose in real terms. This ratio has tapered off recently following high inflation.

- 16.4 Option 4 - \$23.40 per hour (3.0 percent or \$0.70 increase).
- 16.5 Option 5 - \$23.60 per hour (4.0 percent or \$0.90 increase).
- 17 Amongst these options, I consider a 1.3 percent⁵ increase in the adult minimum wage to \$23.00 per hour to be the best response, given the current challenging economic environment and forecast for rising unemployment over the next two years, and the need to preserve job creation.

Given the softening labour market and other economic headwinds, a cautious approach to the minimum wage is required this year

- 18 The previous two minimum wage reviews occurred in an environment of high inflation, high wage growth and record low unemployment. These conditions emerged in response to COVID-19 related monetary and fiscal policy responses, supply chain disruptions and restrictions on offshore migrant workers due to closed borders. These conditions enabled large increases to the minimum wage without causing significant restraint on employment.
- 19 The economic and labour market context has significantly changed over the past year. While unemployment is currently low, the labour market is 'softening' through expanding domestic labour supply due to high net migration rates, constrained consumer spending and subdued economic growth, plus other economic headwinds.
- 20 Unemployment is forecast to increase and peak at 5.2 percent in early 2025. Furthermore, employment growth is forecast to reduce to 1.4 percent and 0.4 percent for the year to June 2024 and year to June 2025 respectively, having been 2.9 percent in year to June 2023.⁶
- 21 The forecast for rising unemployment, plus other domestic and global economic headwinds, highlights the need for caution in setting the 2024 minimum wage rates. I consider that a small to moderate increase in the minimum wage, in line with the above options, balances the need to protect the incomes of the lowest paid workers and maintain employment growth, without placing excessive or unanticipated pressure on businesses.
- 22 Recent StatsNZ data indicates that businesses are already broadly providing real terms pay rises, with both median and average hourly wage rates rising by more than the 6 percent annual CPI inflation recorded in June 2023. Since the minimum wage options presented above are less than the recent average and median wage growth figures, and less than forecasted average wage

⁵ In the review, the \$23.00 option was referred to as a 1.5 percent increase rather than a 1.3 percent increase. This is because the review rounded all the rate options to the nearest 0.5 percent decimal point.

⁶ These forecasts are from Treasury's Half Year Economic and Fiscal Update (HYEFU), published in December 2023. <https://www.treasury.govt.nz/sites/default/files/2023-12/hyefu23.pdf>

growth for 2024⁷, they are not expected to impose unforeseen costs or create restraint on employment impacts for businesses and employees.

The review recommends a four percent increase in the minimum wage

- 23 The review recommends increasing the adult minimum wage rate by 4.0 percent to \$23.60 per hour and increasing the starting-out and training wage rates to \$18.88 per hour on 1 April 2024. A summary of this assessment is in **Annex One** and the full review is attached as **Annex Two**.
- 24 In assessing how the real incomes of minimum wage earners can be protected, the review considers inflation and general wage growth over the previous year, plus the relativity of the minimum wage compared to the median wage and average wage over time.
- 25 The Treasury (based on the September 2023 Pre-election Economic and Fiscal Update (PREFU)) and the Reserve Bank of New Zealand (RBNZ) forecast annual CPI inflation to be 4.3 percent in March 2024. On this basis, MBIE stated that an increase of around 4 percent to the minimum wage rates should approximately preserve the real value of the minimum wage if measured over a year.⁸
- 26 In terms of employment impacts (the other part of the Cabinet objective), MBIE's minimum wage model predicts that no restraint on employment will occur in response to an increase of 5 percent or less in the minimum wage for 2024. However, given the uncertain economic outlook and softening labour market, the review notes that an increase in the mid-to-low end of a 3.0 to 5.0 percent range represents a cautious approach to raising the minimum wage, to reduce the likelihood of employment restraint occurring.
- 27 Overall, MBIE's view is that a 4.0 percent increase in the minimum wage rates for 2024 appropriately balances the objectives of the minimum wage.

I propose a continued differential for starting-out and training rates

- 28 I propose that the starting-out and training rates continue to be set at 80 percent of the adult minimum wage in accordance with sections 4A and 4B of the Act. Maintaining the current differential between the adult minimum wage and the starting-out and training rates supports the transition of youth into employment and helps further the policy objective of incentivising employers to take on and support trainees.
- 29 Depending on the option chosen for the adult minimum wage, the starting-out and training rates will be one of the following:

⁷ Treasury's September 2023 PREFU forecast average wage growth to be 6.2 percent for the year to June 2024.

⁸ These come from the Treasury's September 2023 PREFU and the RBNZ November 2023 Monetary Policy Statement, both of which forecast the year to March 2023 CPI inflation to be 4.3 percent.

- 29.1 \$18.16 per hour (Option 1, status quo).
- 29.2 \$18.40 per hour (Option 2, 1.3 percent increase).
- 29.3 \$18.52 per hour (Option 3, 2.0 percent increase)
- 29.4 \$18.72 per hour (Option 4, 3.0 percent increase).
- 29.5 \$18.88 per hour (Option 5, 4.0 percent increase).

The new rates should take effect on 1 April 2024

- 30 I propose that the new minimum wage rates come into effect on 1 April 2024. Since 1997, every minimum wage increase has come into effect in either March or April of the year following the decision, mostly on 1 April.
- 31 There is no legislative requirement that any minimum wage increase comes into effect on 1 April. This date is chosen because it aligns with annual adjustments to the thresholds for the Accommodation Supplement, the Minimum Family Tax Credit and the end of the financial and tax years for most employers.

Cost-of-living Implications

- 32 The review gives significant regard to the cost-of-living in the analysis and I have considered this in the proposed minimum wage rate options above.
- 33 Minimum wage increases can produce competing impacts on the cost-of-living depending on the extent of the increase. On the one hand, minimum wage employees receive an income increase which helps them to address everyday cost pressures. However, minimum wage increases may contribute to an increase in overall costs for some businesses. This can lead to actions by businesses to minimise the effect of those cost increases, such as increasing prices, reducing the number of staff or cutting other costs.
- 34 Minimum wage earners who do not receive any income-abated supports, such as Working for Families Tax Credits and Accommodation Supplement, benefit the most from minimum wage increases. This is why minimum wage increases are not regarded as an effective income redistribution tool, since the StatsNZ data shows that minimum wage earners reside in households spanning across the household income spectrum.

Financial Implications

- 35 MBIE consulted with government agencies on the potential cost implications of the nine minimum wage options in the review, which includes all the above options apart from Option 3 (2.0 percent increase) as it was not modelled in the review. The additional cost to government would be an estimated \$11.25 million for a 1.3 percent increase; \$20.48 million for a 3.0 percent increase; and \$30.96 million for a 4.0 percent increase.

- 36 The Ministry of Social Development, Accident Compensation Corporation, New Zealand Defence Force, New Zealand Police and Health New Zealand Te Whatu Ora were identified as the agencies most likely to be affected by any change to the minimum wage rate. For these agencies, the additional combined cost would be an estimated \$11.21 million for a 1.3 percent increase and \$30.85 million for a 4.0 percent increase.
- 37 Some government programmes are adjusted based on labour market wage statistics, which may be impacted by changes to minimum wage rates. For example, New Zealand Superannuation is indexed to the net average wage, and parental leave payment rates are adjusted annually based on changes in average ordinary time weekly earnings. Any fiscal impact will be treated as a forecast change through Budget 2024.
- 38 The fiscal costs to government may be offset by an increase in the GST received (as a result of people having more disposable income to spend) and a reduction in the amount of social transfers (due to abatements on government supports such as Working for Families Tax Credits and Accommodation Supplement). These impacts are difficult to accurately quantify.

Legislative Implications

- 39 Minimum wages are set through an Order in Council made under sections 4, 4A, and 4B of the Act. To give effect to a change in the minimum wage, a new Order in Council needs to be made by the Governor-General, on the recommendation of the Minister for Workplace Relations and Safety. Subject to Cabinet's decisions, the new Order to increase the minimum wage will come into force on 1 April 2024.
- 40 I intend to bring a paper to the Cabinet Legislation Committee by the end of February 2024 to give effect to the minimum wage adjustment agreed.

Impact Analysis

Regulatory Impact Statement

- 41 The Treasury's Regulatory Impact Analysis (RIA) team has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement (RIS) on the grounds that it would substantively duplicate the Minimum Wage Review 2023. This exemption is granted on the condition that the document contains all the requirements that would otherwise be included in the RIS. The RIA Panel at MBIE has reviewed the Minimum Wage Review 2023 and confirmed that it contains these requirements.

Climate Implications of Policy Assessment

- 42 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

43 The following table outlines the population implications of these proposals.

Group	How the proposal may affect this population group
Young people	<p>Young workers aged 16-24 represent a high proportion of those employees on the minimum wage. As at June 2023, 59 percent of those aged between 16 to 64 earning the minimum wage were between 16 and 24 years old, while these workers comprised only 16 percent of wage earners overall.</p> <p>Young workers are most exposed to the risks and benefits of minimum wage increases. Employers may look for workers with more experience in response to higher minimum wages, but young people who remain in work will receive an increase in take home pay (especially if they are not receiving any income-abated government support).</p>
Māori	<p>Previous reviews have found Māori to be overrepresented for workers on the minimum wage. As at June 2023, Māori made up 15 percent of the workforce aged 16 to 64 and 15 percent of all minimum wage workers in that age group, meaning that they are proportionally represented.</p>
Pacific peoples	<p>Pacific peoples are among those most likely to benefit from minimum wage increases. Pacific peoples account for around 6 percent of total wage earners and about 8 percent of total minimum wage earners.</p>
Women	<p>Women tend to be overrepresented in several employment circumstances associated with low pay, including working part-time and working in the hospitality and retail sectors. As at June 2023, 64.6 percent of minimum wage earners between the ages of 16-64 are women, and 57.7 percent of minimum wage earners between 25 and 64 years are women. By comparison, 49 percent of total wage earners between the ages of 16 to 64 are women.</p>
Disabled people	<p>Labour market statistics show a persistent gap in median incomes from wages and salaries for disabled people. In June 2023, the median weekly income from wages and salaries for those aged 15 and over was \$1,018 for disabled people, \$255 less than the median figure of \$1,273 for non-disabled people. This suggests that disabled people are likely to be overrepresented among lower paid people who will benefit from minimum wage increases.</p>

Human Rights

44 I recommend that the starting-out and training minimum wage rates continue to be set at 80 percent of the adult minimum wage. As these minimum rates make a distinction on the basis of age, namely those aged 16 to 19 years, or on the basis of their employment status, they continue to raise a potential issue of discrimination under section 19(1) of the New Zealand Bill of Rights Act 1990 (NZBORA).

45 However, this discrimination appears to be justified in light of section 5 of the NZBORA. There can be negative long-term economic and social effects

associated with young people being out of work, especially if they remain unemployed for a significant period of time. Providing the ability to pay young, unskilled and in-training workers a lower wage than the adult minimum wage is one way to get young people into work and work-based training.

Consultation

- 46 MBIE consulted with BusinessNZ and the New Zealand Council of Trade Unions (NZCTU) on the rate options considered in the minimum wage review. Feedback from these social partners is summarised in the review.
- 47 MBIE also consulted with key government agencies on the potential cost implications of the minimum wage options (summarised above).
- 48 The Treasury was consulted on the draft review and the Department of the Prime Minister and Cabinet (Policy Advisory Group) was informed.

Communications

- 49 I intend to make a media statement about the new minimum wage rates for 2024 following Cabinet's decisions.

Proactive Release

- 50 I intend to proactively release this Cabinet paper and will invite MBIE to release the review on its website, subject to any appropriate withholding of information that would be justified under the Official Information Act 1982.

Recommendations

- 51 The Minister for Workplace Relations and Safety recommends that Cabinet:
- 1 **note** that the Coalition Agreement between the National Party and New Zealand First commits to "*moderate increases to the minimum wage every year*";
 - 2 **note** that the Ministry of Business, Innovation and Employment has provided the Minimum Wage Review 2023 and has recommended a four percent increase in the minimum wage to \$23.60;
 - 3 **agree** that the adult minimum wage rate be set at one of the following options for 2024:
 - a. \$22.70 per hour (Option 1 i.e. status quo);
 - b. \$23.00 per hour (Option 2, 1.3 percent increase);
 - c. \$23.15 per hour (Option 3, 2.0 percent increase);
 - d. \$23.40 per hour (Option 4, 3.0 percent increase);
 - e. \$23.60 per hour (Option 5, 4.0 percent increase);

DRAFT - IN CONFIDENCE

- 4 **agree** to maintain the starting-out and training minimum wage rates at 80 percent of the adult minimum wage selected in recommendation 3;
- 5 **agree** that the minimum wage rate adjustments in recommendations 3 and 4 will come into effect on 1 April 2024;
- 6 **invite** the Minister for Workplace Relations and Safety to provide drafting instructions to Parliamentary Counsel Office to give effect to the above proposals via an Order in Council; and
- 7 **authorise** the Minister for Workplace Relations and Safety to make decisions, consistent with the policy in this paper, on any issues that arise during the drafting process.

Authorised for lodgement

Hon Brooke van Velden

Minister for Workplace Relations and Safety

Annex One: Summary of impacts of the minimum wage options in the Review ^{9 10}

Minimum wage rate impact measures	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9
Adult minimum wage (hourly rate)	0% \$22.70	1.3% \$23.00	3% \$23.40	4% \$23.60	5% \$23.80	6% \$24.00	7% \$24.30	10% \$25.00	14.5% \$26.00
Adult minimum wage (gross weekly income – 40-hour week) ¹¹	\$22.70	\$23.00	\$23.40	\$23.60	\$23.80	\$24.00	\$24.30	\$25.00	\$26.00
Adult minimum wage (gross annual income – 40-hour week)	\$908.00	\$920.00	\$936.00	\$944.00	\$952.00	\$960.00	\$972.00	\$1,000.00	\$1,040.00
Relativity to median wage ¹²	\$47,216	\$47,840	\$48,672	\$49,088	\$49,504	\$49,920	\$50,544	\$52,000	\$54,080
Relativity to average wage ¹³	72%	73%	74%	75%	75%	76%	77%	79%	82%
Relativity of gross weekly income at minimum wage rate to Job Seeker support ¹⁴	57%	58%	59%	60%	60%	61%	61%	63%	66%
Number of people directly impacted (rounded up to nearest 100)	235%	238%	242%	244%	246%	248%	251%	259%	269%
Estimated restraint on employment (modelled average) ¹⁵	NA	79,400	145,200	164,400	188,700	211,300	264,600	316,100	440,100
Estimated economy-wide increase in wages (\$m, annual)	N/C	N/C	N/C	N/C	N/C	<1000	- 7,500	- 24,500	- 49,000
Estimated impact on nominal GDP (percentage points) ¹⁶	N/C	27	102	145	196	253	369	682	1,341
	N/C	0.007%	0.028%	0.040%	0.053%	0.069%	0.100%	0.185%	0.364%

⁹ To ensure comparability between options, the modelling of all options is for the calendar year from 1 April 2023.

¹⁰ The MBIE recommended option is highlighted in green.

¹¹ This is calculated on a 40-hour week basis.

¹² The median hourly earnings are \$31.61 per hour (Labour Market Statistics (Income), June 2023).

¹³ The average ordinary time hourly earnings are \$39.53 per hour or \$1,581.20 gross per week (Labour Market Statistics, QES, June 2023).

¹⁴ For a single adult, aged 25 or over, receiving \$386.54 (gross) per week, as from 1 April 2023. Source: <https://www.workandincome.govt.nz/products/benefit-rates/benefit-rates-april-2023.html>

¹⁵ The employment effects for '16-64 year olds' are represented. These are estimates from the MBIE-MW employment restraint model updated in 2023.

¹⁶ The impact on the GDP-income measure of the estimated economy-wide increase in wages, weighted by the of share of compensation of employees in the National Accounts.

Minimum wage rate impact measures	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9
Estimated additional annual costs to Government (\$m, annual) ¹⁷	0% \$22.70	1.3% \$23.00	3% \$23.40	4% \$23.60	5% \$23.80	6% \$24.00	7% \$24.30	10% \$25.00	14.5% \$26.00
Full time employee receiving no tax credits or other income support - net weekly income and increase from \$22.70	\$0.00m	\$11.25m	\$20.48m	\$30.96m	\$39.85m	\$49.66m	\$64.61m	\$100.98m	\$158.18m
<u>Scenario:</u> Auckland based couple, both earning minimum wage, working a combined 60 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and increase from \$22.70	\$754.05	\$763.77 (\$9.72) 1.3%	\$775.11 (\$21.06) 2.8%	\$780.59 (\$26.53) 3.5%	\$786.07 (\$32.01) 4.2%	\$791.54 (\$37.49) 5.0%	\$799.76 (\$45.71) 6.1%	\$818.93 (\$64.88) 8.6%	\$846.32 (\$92.27) 12.2%
<u>Scenario:</u> Auckland based sole parent, earning minimum wage, working 40 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and number and percent increase from \$22.70	\$1,536.74	\$1,541.96 (\$5.21) 0.3%	\$1,547.30 (\$10.55) 0.7%	\$1,549.77 (\$13.03) 0.8%	\$1,552.25 (\$15.50) 1.0%	\$1,554.73 (\$17.98) 1.2%	\$1,558.44 (\$21.70) 1.4%	\$1,567.11 (\$30.36) 2.0%	\$1,579.49 (\$42.75) 2.8%
<u>Scenario:</u> Auckland based sole parent, earning minimum wage, working 40 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and number and percent increase from \$22.70	\$1,338.62	\$1,342.10 (\$3.48) 0.3%	\$1,345.12 (\$6.50) 0.5%	\$1,346.44 (\$7.81) 0.5%	\$1,347.76 (\$9.13) 0.7%	\$1,349.07 (\$10.45) 0.8%	\$1,351.05 (\$12.43) 0.9%	\$1,355.66 (\$17.04) 1.3%	\$1,362.25 (\$23.63) 1.8%

¹⁷ This is a high-level estimate, largely based on the additional costs to the Ministry of Social Development, Te Whatu Ora, and Accident Compensation Corporation and New Zealand Defence Force. It does not include potential transfer savings received by the government in additional tax and abated benefits. Figures given do not include ACC OCL rates – the Outstanding cash Liability, an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims.

Annex Two: Minimum Wage Review 2023

Released under the Official Information Act

From: [Zach Boyle \(Parliament\)](#)
To: [Alison Marris](#)
Cc: [Tracy Mears](#); [Oscar Cornfield](#)
Subject: RE: Info request: MW rates based on 5/10 year rolling CPI [IN-CONFIDENCE]
Date: Thursday, 18 January 2024 9:46:47 am
Attachments: [image001.png](#)

Hey Alison,

Thanks for all the work getting the Cabinet paper over yesterday. The Minister reviewed overnight and was broadly happy with the direction – her and Jenesa are just working through some framing edits but I should be able to get a version back to you this afternoon for a final proof and fact check before lodging.

One request the Minister had was that the below chart be incorporated into the paper. Before we do that, can you please send over a version just like the below but without the 10-year rolling average? Because I think as we discussed at the time the difference between the 5 and 10 is pretty marginal so the 10-year was probably an unnecessary data point.

Happy to discuss.

Thanks
Zach

From: Alison Marris <Alison.Marris@mbie.govt.nz>
Sent: Tuesday, December 19, 2023 5:03 PM
To: Zach Boyle <Zachary.Boyle@parliament.govt.nz>
Cc: Tracy Mears <Tracy.Mears@mbie.govt.nz>; Oscar Cornfield <Oscar.Cornfield@mbie.govt.nz>; Anna Clark <Anna.Clark2@mbie.govt.nz>
Subject: Info request: MW rates based on 5/10 year rolling CPI [IN-CONFIDENCE]

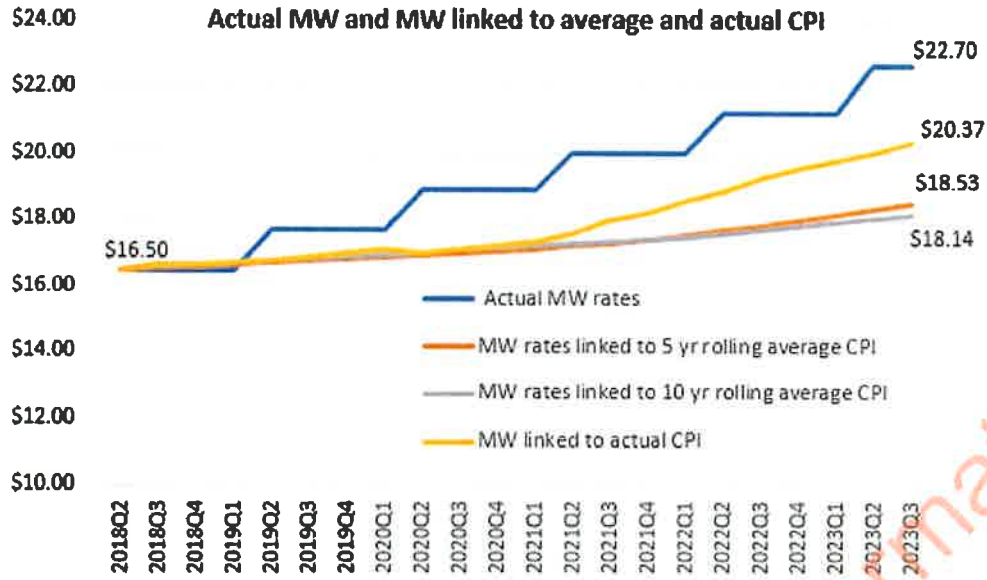
Kia ora Zach

The chart below reflects our understanding of Jenesa's request after the meeting on Monday – which requested MW rates linked to 5 and 10-year rolling CPI averages.

I finish up today, but Tracy and Oscar will be able to assist if you (or the office) has any further queries.

Hope you have a great holiday!

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ngā mihi,
Alison

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From: [Alison Marris](#)
To: [Zach Boyle \(Parliament\)](#)
Cc: [Tracy Mears](#); [Simon Cooke](#); [Oscar Cornfield](#)
Subject: Talking points for CBC - Minimum Wage [IN-CONFIDENCE]
Date: Tuesday, 23 January 2024 2:22:03 pm
Attachments: [TPs for Minister van Velden_MW Review Setting 2024 \(19.01.24\).docx](#)

Kia ora Zach

Attached are talking points for the Minister to take to CBC on Thursday. We're assuming that the Minister would like officials outside CBC, but do let us know if this is not the case or if she has any preferences as to who.

If you have any questions, please let us know.

ngā mihi,
Alison

Alison Marris ([she/her](#))

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Talking points for 25 January 2024 CBC meeting for Hon van Velden: Minimum Wage Review – Setting the 2024 rates

Proposal

- I seek Cabinet Business Committee's (CBC's) agreement to:
 - a small to moderate increase in the adult hourly minimum wage rate from 1 April 2024; and
 - a corresponding increase to the starting-out and training minimum wage rates from 1 April 2024 so that they remain at 80 percent of the selected adult minimum wage rate.
- My recommended rate is \$23.00 per hour, which represents a 1.3 percent increase in the current minimum wage.
- I believe this rate is appropriate given the current economic conditions and the historically large increases to the minimum wage, which have distorted relativities.
- This will deliver on the coalition Government's commitment to '*moderate increases to the minimum wage every year*'.

Background on the Minimum Wage Review and Ministerial responsibilities

- Since 2012, the core objective for successive Governments in reviewing the minimum wage has been '*to keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses*'.
- I have a statutory obligation under section 5(1) of the *Minimum Wage Act 1983* (the Act) to review the minimum wage rates by 31 December each year.
- At the end of November 2023 I received the Minimum Wage Review (the review) and advice from MBIE on setting the 2024 rates, which recommended a 4 percent increase in the adult minimum wage to \$24.00 per hour.
- BusinessNZ and the New Zealand Council of Trade Unions were consulted on the nine minimum wage options modelled in the review.

Current minimum wage and historical increases

- The adult minimum wage is currently \$22.70 per hour, and the starting-out and training minimum wages are currently \$18.16 per hour.
- The current minimum wage is the culmination of many above-inflation increases. Between June 2016 and June 2023, the minimum wage increased at nearly twice the rate of inflation, with a 48.8 percent total increase in the minimum wage and a 25.1 percent total increase in Consumer Price Index (CPI) inflation.
- If the adult minimum wage had been linked to actual CPI in 2018, the minimum wage would be \$20.37 per hour today.

Relativity of minimum wage

- New Zealand's minimum wage is the third highest in the OECD in terms of relativity to the median wage.

- As a ratio to the median wage, the minimum wage has increased from 62 percent of the median wage in June 2017 to 72 percent in June 2023.
- This has compressed the distribution of wages in the lower-earning half of the labour market, which can reduce the ability for businesses to pass on higher wages to more experienced and skilled workers.

I believe an increase to \$23.00 represents a cautious approach to this year's increase

- The economic and labour market context has changed over the past year. The labour market is 'softening' as a result of lower labour demand due to constrained consumer spending and subdued economic growth, and higher labour supply through high net migration.
- Employment growth is forecast to slow and unemployment is forecast to peak at 5.2 percent in early 2025.
- Given the challenging economic environment and the need to preserve job creation, I consider a 1.3 percent increase in the adult minimum wage to \$23.00 per hour to be the best response.
- I believe this rate reflects the need to support minimum wage earners with the cost of living while acknowledging that the long-term trajectory of minimum wage increases has been above inflation.

Starting out and training rates

- I propose that the starting-out minimum wage and training minimum wage rates continue to be set at 80 percent of the adult minimum wage.
- With an adult minimum wage rate of \$23.00 per hour, the starting-out and training rates would be set at \$18.40 per hour.

Financial Implications

- The additional cost to government is an estimated \$11.25 million for a 1.3 percent increase, which includes staffing costs and adjustments to government programmes that link to labour market statistics.

Litigation relating to the Minimum Wage Order (the Mt Cook case)

- I have been advised that the current wording of the Minimum Wage Order (the Order) (the regulatory instrument used each year to give effect to Cabinet's minimum wage rate decisions) has been interpreted in a way that was not intended.
- The Employment Court in *E Tu v Mount Cook Airlines* interpreted the wording as meaning that some workers were entitled to the minimum wage for a full-time working fortnight, despite only working part-time.
- The Employment Court decision is being appealed. s 9(2)(h)
- The wording of the Order will not be changed initially for the 2024 Order (to come into effect on 1 April 2024) while we await the Court of Appeal's decision, but changes to this Order may need to be considered once we have the decision.

Why not amend the Order at the next opportunity?

- I've been advised that revising the Minimum Wage Order will not be straightforward. Feedback from targeted consultation last year (under the previous Government) suggested that amending the Order could have unintended consequences.

• s 9(2)(h) and s 9(2)(g)(ii)

Alternative minimum wage options

- While \$23.00 is my preferred rate, I've included four other options for consideration, including the status quo.
- The status quo, \$23.00, \$23.40 and \$23.60 were modelled in the minimum wage review, as part of nine options that were analysed.
- If we choose a rate that wasn't modelled in MBIE's review, communications about the Government's decision won't refer to modelled impacts that correspond exactly with the rate we decide upon. This isn't a big issue as we can refer to similar rates that were modelled.
 - If we wanted to commission any new modelling, I understand it would take around two weeks for MBIE to complete this work.

Next steps and the Minimum Wage Order

- I intend to announce the agreed rate as soon as possible after Cabinet's decision next week because businesses have asked for as much notice of the new rate as possible.
- Minimum wages are set through an Order in Council made under sections 4, 4A, and 4B of the Act.
- I intend to bring a paper to the Cabinet Legislation Committee by the end of February 2024 to give effect to the minimum wage adjustment agreed.
- The new minimum wage will come into effect on the usual date of 1 April 2024.

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From: Alison Marris
 To: Zach Boyle (Parliament)
 Cc: Anna Clark; Nic Blakeliev; Oscar Cornfield; Tracy Mears
 Subject: Tax brackets & min wage [IN-CONFIDENCE]
 Date: Thursday, 1 February 2024 12:34:36 pm
 Importance: High

Kia ora Zach

Anna got a query from Jenesa on this, so if you could share this info with her, that would be appreciated.

In summary:

- The table at the back of the Cabinet paper (pasted below for ease of reference) includes calculations for net weekly income and scenarios (yellow highlights). The calculations include changes in tax brackets and ACC levies.
- Given that a full time earner on the current minimum wage of \$22.70 earns a gross annual figure of \$47,216, any increase in the minimum wage to a rate slightly above \$23.00 per hour would push them into the 30 percent tax bracket. The impact of the tax bracket issue was always going to impact options 3 and above modelled in the review.
- In real life, there will be a multitude of scenarios that will impact on how much someone will benefit. The review does raise this, and makes clear the overall impact may be affected by various abatements etc. The scenarios in the table are an attempt to give some idea of this.
- Note these calculations only cover the options modelled in the review (not the 2% option chosen). We note that gross earnings for the 2% chosen are \$48,152, so for those earning just the min wage or thereabouts, only a very small portion of income would be taxed at that rate.

Minimum wage rate impact measures	Option 1 0% \$22.70	Option 2 1.3% ^[1] \$23.00	Option 3 3% \$23.40	Option 4 4% \$23.60	Option 5 5% \$23.80	Option 6 6% \$24.00	Option 7 7% \$24.30	Option 8 10% \$25.00	Option 9 14.5% \$26.00
Adult minimum wage (hourly rate)	\$22.70	\$23.00	\$23.40	\$23.60	\$23.80	\$24.00	\$24.30	\$25.00	\$26.00
Adult minimum wage (gross weekly income – 40-hour week) ^[2]	\$908.00	\$920.00	\$936.00	\$944.00	\$952.00	\$960.00	\$972.00	\$1,000.00	\$1,040.00
Adult minimum wage (gross annual income – 40-hour week)	\$47,216	\$47,840	\$48,672	\$49,088	\$49,504	\$49,920	\$50,544	\$52,000	\$54,080
Relativity to median wage ^[3]	72%	73%	74%	75%	75%	76%	77%	79%	82%
Relativity to average wage ^[4]	57%	58%	59%	60%	60%	61%	61%	63%	66%
Relativity of gross weekly income at minimum wage rate to Job Seeker support ^[5]	235%	238%	242%	244%	246%	248%	251%	259%	269%
Number of people directly impacted (rounded up to nearest 100)	NA	79,400	145,200	164,400	188,700	211,300	264,600	316,100	440,100
Estimated restraint on employment (modelled average) ^[6]	N/C	N/C	N/C	N/C	N/C	<1000	- 7,500	- 24,500	- 49,000
Estimated economy-wide increase in wages (\$m, annual)	N/C	27	102	145	196	253	369	682	1,341
Estimated impact on nominal GDP (percentage points) ^[7]	N/C	0.007%	0.028%	0.040%	0.053%	0.069%	0.100%	0.185%	0.364%
Estimated additional annual costs to Government (\$m, annual) ^[8]	\$0.00m	\$11.25m	\$20.48m	\$30.96m	\$39.85m	\$49.66m	\$64.61m	\$100.98m	\$158.18m
Full time employee receiving no tax credits or other income support – net weekly income and increase from \$22.70	\$754.05	\$763.77 (\$9.72) 1.3%	\$775.11 (\$21.06) 2.8%	\$780.59 (\$26.53) 3.5%	\$786.07 (\$32.01) 4.2%	\$791.54 (\$37.49) 5.0%	\$799.76 (\$45.71) 6.1%	\$818.93 (\$64.88) 8.6%	\$846.32 (\$92.27) 12.2%
Scenario: Auckland based couple, both earning minimum wage, working a combined 60 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement – net weekly income and increase from \$22.70	\$1,536.74	\$1,541.96 (\$5.21) 0.3%	\$1,547.30 (\$10.55) 0.7%	\$1,549.77 (\$13.03) 0.8%	\$1,552.25 (\$15.50) 1.0%	\$1,554.73 (\$17.98) 1.2%	\$1,558.44 (\$21.70) 1.4%	\$1,567.11 (\$30.36) 2.0%	\$1,579.49 (\$42.75) 2.8%
Scenario: Auckland based sole parent, earning minimum wage, working 40 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement – net weekly income and number and percent increase from \$22.70	\$1,338.62	\$1,342.10 (\$3.48) 0.3%	\$1,345.12 (\$6.50) 0.5%	\$1,346.44 (\$7.81) 0.5%	\$1,347.76 (\$9.13) 0.7%	\$1,349.07 (\$10.45) 0.8%	\$1,351.05 (\$12.43) 0.9%	\$1,355.66 (\$17.04) 1.3%	\$1,362.25 (\$23.63) 1.8%

ngā mihi,
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[1] In the review, the \$23.00 option was referred to as a 1.5 percent increase rather than a 1.3 percent increase. This is because the review rounded up all the rate options to the nearest 0.5 percent decimal point.

[2] This is calculated on a 40-hour week basis.

[3] The median hourly earnings are \$31.61 per hour (Labour Market Statistics (Income), June 2023).

[4] The average ordinary time hourly earnings are \$39.53 per hour or \$1,581.20 gross per week (Labour Market Statistics, QES, June 2023).

[5] For a single adult, aged 25 or over, receiving \$386.54 (gross) per week, as from 1 April 2023. Source: <https://www.workandincome.govt.nz/products/benefit-rates/benefit-rates-aunl-2023.html>

[6] The employment effects for '16-64 year olds' are represented. These are estimates from the MBIE-MW employment restraint model updated in 2023.

[7] The impact on the GDP-Income measure of the estimated economy-wide increase in wages, weighted by the share of compensation of employees in the National Accounts.

[8] This is a high-level estimate, largely based on the additional costs to the Ministry of Social Development, Te Whatu Ora, and Accident Compensation Corporation and New Zealand Defence Force. It does not include potential transfer savings received by the government in additional tax and abated benefits. Figures given do not include ACC OCL rates – the Outstanding cash Liability, an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims.

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