

**Oral submission to the Transport and Industrial Relations Select Committee on the NCW
Submission on the Minimum Wage (Starting-out Wage) Amendment Bill 69-1
S 12.25 made by Judy Whitcombe and Jean Fuller on 5.12.12**

Transport and Industrial Relations Select Committee: Chairperson: David Bennett, National, Hamilton East; Deputy Chair: Jami-Lee Ross, National, Botany; Chris Auchinvole, National, List; Darien Fenton, Labour List; Andrew Little, Labour, List; Simon O'Connor, National, Tamaki; Denise Roche, Green, List; Scott Simpson, National, Coromandel

Good afternoon. My name is **Judy Whitcombe** and my colleague is **Jean Fuller**. We are both members of the Parliamentary Watch Committee of the National Council of Women of New Zealand. This submission has been prepared from a background of policy decisions and consultation with the members of our organisation.

Introduction

As outlined in the submission, NCWNZ has earlier shown interest in the area of Minimum Wage setting. The activity in 2006 involved making submissions on:

- the Minimum Wage (Abolition of Age Discrimination) Amendment Bill (S06.12)
- the Employment Relations (Probationary Employment) Amendment Bill (S06.24); and
- the Minimum Wage and Remuneration Amendment Bill. (S06.50)

At that time the submissions pointed out that NCWNZ has always lobbied for the rights of women, young people and their families and those in low paid jobs who are vulnerable. The views expressed then by members were against any discrimination on the grounds of age.

Now, in 2012, the responses that have been received, in relation to the Minimum Wage (Starting-out Wage) Amendment Bill, have repeated these views. This Bill extends the coverage of the lower minimum wage by age and duration (Clause 4A).

The concerns relating to this Bill are dealt with under the following areas.

Disincentives

Here the concern was that extending the lower rate of pay offering may be a disincentive to young people and undermine their sense of self worth.

One member quoted the cases of two school leavers who had been employed for short periods and this had knocked their confidence – one an office worker and the other in the food industry. The Regulatory Impact Statement notes that “Young people who do not make good transitions into employment are at risk of longer-term employment scarring effects.” (para 17)

It was also noted that some employers would be seen as exploiting a cheaper source of workers, who were then cast aside at the expiry of the period. The instance of a major employer of younger workers, who were dismissed after the initial period, was identified here by members from one area.

Displacement

Members expressed a very real concern that other workers will be displaced where employers use the lower wage option to reduce wage costs. One of the main groups to be disadvantaged was seen to be women returning to the workplace, having taken time out of the paid workforce to bear and raise children.

A major concern expressed was for the availability of jobs for young parents, mainly mothers, being expected to find work when their youngest child goes to school. This group could miss out if cheaper younger workers were to be employed.

There was also mention of “unscrupulous employers who have no loyalty to staff, who will manipulate the system for their own profit, and have a revolving workforce of lower paid employees.”

However, from members’ research in their areas, it was noted that most employers preferred to retain an experienced worker.

Breach of Human Rights

Here members were adamant – the Bill is “age discriminatory and cannot be accepted in terms of Human Rights.” Payment for work should be for the work done and not related to the age of the employee. Another made the point that the Bill could disadvantage other groups such as women returning to work and people with disabilities and asked “is there any evidence that disadvantaging one group of workers will be an advantage to another?”

Replacement when qualifying for the full minimum wage

This was one of the issues that concerned most members. It was noted that there was already a tendency to terminate staff when they reach the adult minimum wage entitlement. The Bill’s proposal to extend the 3 month period on the lower minimum wage, to 6 months was seen to exacerbate the situation.

One Branch made the point “It depends on how ethical the employer is.” It was considered that bigger firms, internationally owned, do not have the same community involvement and could care less about the ethical impacts.

Impact on standard of living and further study

The lower wage for the six month period was seen to be a further disincentive to young people to engage in further study. Those who do continue will have to save for a longer period to fund their tertiary study. The point was made that tertiary students need to maximise their earnings in the holiday periods and they have a limited time in which to do this. Also mentioned was the situation of families in poverty where younger people are supplementing the income of the whole family. It was thought that young people not living at home would be especially affected.

It was noted that the Regulatory Impact Statement quoted the Ministry of Education “that the starting out wage may impact on the incomes of students who are working part-time while studying or working full-time during school or tertiary holiday periods. This may impact on students’ ability to finance their current or future tertiary study”. (Para 40)

Conclusion

In the 6 years since 2006 the employment situation does not appear to have improved – especially for young people.

It was felt that while the aim of bringing more young people into work was laudable, the negative effects, which we have outlined, and the scope for exploitation by employers, carry greater weight.

The general consensus of NCWNZ members was that the Bill, if passed, would be doubly disadvantageous as it would exploit young workers and that older and unskilled workers could be vulnerable to dismissal.

Thank you, Judy Whitcombe

Questions: Simon O'Connor asked, with self-confessed facetiousness, whether our objection to payment on the basis of age extended to Superannuation. Judy responded by explaining that she was still employed. He was also challenged on the point that Superannuation was not a wage (which was the subject of the Bill). Mr O'Connor quickly changed his grounds to "Income" but that was not the subject of the Bill either.

Earlier submitters:

The Human Rights Commission discussed the anomaly in their legislation whereby age discrimination was disallowed except in certain circumstances and youth employment was one of these. There was debate over whether the representatives could therefore speak against the Bill on the grounds of discrimination.

The New Zealand Retailers' Association spoke in favour of the Bill. Their view was that older workers would not be displaced by younger because productivity equalled age and experience whereas the youthful worker lacked these qualities. Given the type of jobs generally given to young workers this seemed debatable. Claims were made that there had been a substantial drop in workers with many owner/operators now doing the extra work but figures were not available.

An independent submitter - with a 16 year old son, questioned whether young people would go on to gain permanent employment at higher rates. She felt that there would be little roll-over and the young person would be locked into the lower paid jobs for longer. There was some discussion over whether "summer" jobs could be considered or whether this legislation was for youth looking for permanent jobs.

Jean Fuller
5 December 2012