



NATIONAL COUNCIL OF WOMEN OF NEW ZEALAND

TE KAUNIHERA WAHINE O AOTEAROA

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S12.25

Submission to the Transport and Industrial Relations Select Committee on the
Minimum Wage (Starting-out Wage) Amendment Bill 69-1

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 47 nationally organised societies and national members. It has 22 branches throughout the country attended by representatives of those societies and some 150 other societies as well as individual members. NCWNZ's function is to represent and promote the interests of New Zealand women through research, discussion and action.

This submission has been prepared by the NCWNZ Employment Standing Committee and the Parliamentary Watch Committee after consultation with the membership of NCWNZ.

Introduction

While NCWNZ does not have explicit policy on youth rates of pay we have very clear and long standing policy on issues of equal pay for equal work (going back to policy first agreed in 1897) and equal pay for work of equal value (from 1974). The underlying principles would apply in relation to discrimination on any grounds including age in relation to pay rates. As a consequence in 2006 NCWNZ submitted in support of the Minimum Wage (Abolition of Age Discrimination) Amendment Bill.

NCWNZ is opposed to the Minimum Wage (Starting-out Wage) Amendment Bill which would extend the payment of a lower minimum wage to a larger group of young people and people undertaking training. We are concerned about the high rates of youth unemployment but we do not believe lowering wages on a discriminatory basis is the appropriate solution to the problem.

Clause 4A Prescribed minimum starting-out rates of wages

This clause has the effect of:

- Extending a lower minimum wage for 16 and 17 year olds to apply for six months rather than the current 3 months
- Extending that lower minimum wage to 18 and 19 year olds who have been on a benefit for six months or more (irrespective of previous employment experience)
- Requiring employment experience to be with one employer except for those transferring as a result of a restructuring (currently it could be more than one employer)

Age not a proxy for skills, experience or performance

Most of our members believe that pay should be based on skills, experience and/or performance not on age. Age is not a proxy for skills, experience or performance. It is possible that someone of 20 or 45 years of age could have no experience in the paid workforce while someone of 17 may have had a year or more of experience.

We are concerned that a lower rate of pay may be a disincentive for young people to work and may undermine their sense of self worth. Many young people work in industries like hospitality or retail at the busiest times of the week e.g. evenings and weekends. If they are meeting the requirements for the job it is a double disadvantage for them to be paid less because of their age while dealing with a heavier workload.

Potentially all new employees regardless of age need some time, the length of which is dependent on the nature of the job and the person's ability, to learn the ropes. In many jobs being undertaken by young workers it would be difficult to evidence a period of time anywhere near 6 months to gain the necessary experience.

Employment experience with one or more employers

By changing the requirement for experience with one employer to be necessary, experience and skills from working with another employer are disregarded until reaching 18 (for 16 and 17 year olds) or 20 (for 18 and 19 year old beneficiaries) even where this is within the same industry e.g. working for one supermarket company or another.

Displacement Effects

We are concerned about displacement effects arising from those employers who will use the lower minimum wage as a means to reduce their costs. Many women work part-time in industries where young people are employed as they try to balance paid work with family responsibilities. We know of examples where this already happens, as is the case of one of our members who had the experience of receiving fewer hours during the Xmas period because she was paid 25 cents per hour more, and worry that this will be exacerbated.

Specific concern about displacement was also raised about the situation of older workers, many of whom have had to return to the workforce, or work longer than they had anticipated, due to the collapse of finance companies or because partners in manufacturing industries were made redundant and were unable to get other paid employment.

Breach of human rights and privacy provisions

The question of whether this legislation would breach privacy and human rights provisions has also been asked. For example it is illegal to ask someone their age during the appointment process or to discriminate on the grounds of employment status i.e. whether they are in receipt of a social security benefit.

Replacement when qualifying for full minimum wage

We have significant concern that young workers will be replaced by unscrupulous employers as they become more 'expensive' i.e. when they reach eligibility for the full minimum wage. This is a particular risk with the extensive pool of unemployed young people. A number of examples were provided by members of other situations where unscrupulous employers act in this manner to keep wages down. Essentially it was felt that this larger pool of lower waged workers this will make this behaviour more likely. The combined effect of this lower wage rate and the 90 day provision enabling termination of workers without reason was highlighted. The impact on the confidence of young people of such unfair employer behaviour was identified, especially when they are new to the paid workforce. A minority view was that employers would not be incentivised to behave in this way as they would not want to get rid of trained staff.

Impact on standard of living and ability to save for tertiary study

It was noted that young people have costs they have to meet and plans for their future to fund. The ability to fund tertiary study and the consequential increase to student loan debt was seen as a result of lower wages. The specific impacts on low income families where young people are supplementing family incomes and where young people are living away from home and supporting themselves were seen as particularly harsh.

Conclusion

While we are very concerned about the high levels of unemployment among young people we do not consider the Minimum Wage (Starting-out Wage) Amendment Bill to be the appropriate response to the problem for the reasons outlined above.

While a minority of members who commented on the Bill did consider there may be possible benefits in getting more young people into jobs, the majority of responses were opposed to the Bill.

The actual problem is not enough jobs rather than wages being too high.

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