



**National Council of  
Women of New Zealand**

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Wahine O Aotearoa

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## **Submission to the Ministry of Business, Innovation and Employment on the Minimum Wage Review 2015**

The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing 288 organisations affiliated at either the national level or to one of our 20 branches. In addition to our organisational membership, about 260 women are individual members of branches. 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.

### **Introduction**

A call for the establishment of a minimum wage by law was one of the first resolutions passed by NCWNZ at its initial conference in 1896. Since then, our submissions on government policy have reaffirmed the view that a minimum wage is a significant mechanism to protect the most vulnerable workers and maintain some level of fairness both in the labour market and in society generally. In the same vein, the 2013 NCWNZ conference passed a resolution in support of the principle of a living wage.

Our submission focuses on issues around the current context for an increase in the minimum wage. It then responds to aspects of the review questionnaire that we see as particularly relevant to our membership.

### **Context for the 2015 review**

NCWNZ believes that the Government has a moral obligation to provide a minimum wage that provides a decent standard of living. Our view is that a significant increase in the minimum wage would provide benefits such as: a larger tax base; increased domestic consumption; improved productivity; increased pay and employment equity; and the closing of the wage gap with Australia.

This submission focuses on some particular current social, employment and economic circumstances that we believe should be a major influence on decisions regarding the 2016 increase in the minimum wage. These circumstances include: income inequality resulting in child poverty; the impact of the growth in insecure work; the gender pay gap; and weakened employment protections.

We realise that addressing these issues requires a range of integrated policies. It is our view, however, that a more than 'moderate', increase in the minimum wage should be a part of that policy approach.

## Poverty

Poverty and in particular child poverty has been identified as a significant issue in New Zealand with around 20 per cent of children living in relative poverty.<sup>1,2</sup> The UNICEF NZ report recommends that government take all necessary measures to provide appropriate support to allow disadvantaged families and their children to move out of poverty in a sustained way. That report expresses concern that the issue remains low in the priorities of successive governments. The minimum wage is important as an explicit wage floor for those families and is a needed backstop for the low paid.

The level of poverty in New Zealand indicates that the current welfare and taxation system, including Working for Families, is not fully meeting the needs of low paid workers and disadvantaged families. That aside, we do not believe that welfare benefits should be a substitute for a decent wage. The minimum wage provides a significant mechanism to help reduce a reliance on benefits and address the worrying level of poverty.

## Growth of insecure work

There has been a growth in insecure work, also referred to as non-standard or precarious work, in recent years. For current purposes we define insecure work as including casual, temporary, fixed-term, zero-hour and seasonal employment that can be characterised by low and/or fluctuating pay and uncertain duration. Workers involved are likely to be women, young, migrant, an ethnic minority and less skilled.

Insecure work generally involves low pay. In addition to the low hourly rate we also have concerns about the number and certainty of hours available to workers who may have little or no choice of alternative employment.<sup>3,4,5,6</sup> NCWNZ notes that NZ ranks fourth in the OECD scale of countries with

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<sup>1</sup> UNICEF NZ (2013). *Kids Missing Out: It's Time to Make Progress on Children's Rights*.

<sup>2</sup> Simpson J, Oben G, Wicken A, Adams J, Reddington A, Duncanson M. (2014). *Child Poverty Monitor 2014 Technical Report*, NZ Child and Youth Epidemiology Service, University of Otago.

<sup>3</sup> International Labour Organization. (2012). *From Precarious Work to Decent Work, Outcome Document to the Workers' Symposium on Policies and Regulations to Combat Precarious Employment*.

<sup>4</sup> Wilson M. (2013). *Perspectives: Precarious Work: The Need for a New Policy Framework*, Whitlam Institute, University of Sydney.

<sup>5</sup> NZ Council of Trade Unions. (2013). *Under Pressure: Insecure Work in NZ*.

<sup>6</sup> NZCTU (2013 and 2014). Submissions to the Minimum Wage Review.

the least employment protection laws for insecure workers.<sup>7</sup> The provisions of the recently introduced Employment Standards Bill do not appear to improve that situation.

The minimum wage, however, together with strengthened minimum wage compliance requirements, can be an important mechanism to protect those in insecure work through influencing rates of pay.

### The gender pay gap

NCWNZ believes that the gender pay gap should be included in the criteria for deciding the level of the minimum wage. After a period of little or no change, the gender pay gap has increased from 12.7 per cent in 2013 to 14 per cent in 2014.<sup>8</sup> Addressing the gender pay gap is a complex issue requiring a long-term strategic approach and comprehensive policy initiatives. We believe, however, that a significant rise in the minimum wage is one of those necessary initiatives. Given that a large proportion of minimum wage workers are women, increasing the level of that wage could help in closing the gender wage gap and reduce wage dispersion.

NCWNZ is concerned that there is no current comprehensive government plan to address the gender pay gap. Legal action currently being undertaken by women-dominated occupational groups in the aged care, health and education sectors indicates both the level and scale of frustration at government's lack of action in addressing the prevalence of unfair low pay.

### Weakening of legislative employment protections

The weakening of employment protections for workers has resulted from a continuum of employment legislation including the Employment Contracts Act 1991 through to the Employment Relations Amendment Act 2014. Changes have included inhibiting access to collective bargaining and an erosion of the role of unions. Research indicates that such changes can, in turn, weaken both the impact and effectiveness of the minimum wage.<sup>9</sup>

Indications are that the weakening of employment protections has contributed to the gender pay gap. Hyman (2015) for example, states that: '...high levels of unionisation and centralised bargaining are strongly associated in cross-country comparisons with a lower gender pay gap and lower differentials generally, with collective coverage improving the situation of lower-paid workers'.<sup>10</sup>

NCWNZ believes that collective bargaining is good for women who are most often involved in low paid work. Recent international research finds that collective agreements are significant mechanisms promoted by unions to reduce pay inequalities and promote agenda-setting roles for gender equality.

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<sup>7</sup> Venn D. (2009). *Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators*, OECD Social, Employment & Migration Working Papers, OECD Publishing, Paris.

<sup>8</sup> Statistics New Zealand, NZ Income Survey, 2013/14, average ordinary time earnings.

<sup>9</sup> Grimshaw D, Bosch G, & Rubery J. (2013). *Minimum Wages and Collective Bargaining: What Types of Pay Bargaining Can Foster Positive Pay Equity Outcomes?* British Journal of Industrial Relations. Doi:10.1111/bjir.12021.

<sup>10</sup> Hyman P. (2015). *Is Active Intervention Still Needed to Improve the Position of Women in the NZ Labour Market? If So What Can be Done?* Policy Quarterly, Vol11, Issue 1, Feb 2015.

Findings include that the most commonly reported pay agreements negotiated to reduce gender pay inequalities were those focused on the minimum wage and increasing the pay of low paid workers.<sup>11</sup> New Zealand research shows that workers covered by collective bargaining earn higher minimum wages than workers in the uncovered sector.<sup>12</sup>

### Level of increase in the minimum wage

The review questionnaire refers to a 'moderate' increase in the minimum wage and cites the 50 cents per hour increase this year. To date, however, moderate increases have not been effective in addressing the issues noted in paragraphs three to six above. We believe that strengthening the role of the minimum wage would, and should, assist in that regard.

NCWNZ is aware of concerns that a more than moderate increase in the minimum wage will have a negative impact on employment. We reiterate the view expressed in our earlier submissions, however, that there is no conclusive evidence to support that concern. A recent comprehensive review of minimum wage research confirms that position.<sup>13</sup>

NCWNZ supports the principle of a living wage. This is defined by Living Wage Aotearoa NZ (2012) as: " ... the income necessary to provide workers and their families with the basic necessities of life. A living wage will enable workers to live with dignity and to participate as active citizens."<sup>14</sup> This is estimated as \$19.25.<sup>15</sup> We note that Dr Jackie Blue, EEO Commissioner, is a 'big supporter' of a living wage and that the Human Rights Commission has produced a comprehensive business case for increasing wages.<sup>16</sup> There is growing public support, both here and internationally, for a living wage and there are now around 40 New Zealand employers, in a range of industries, who pay their workers at that rate.

Living Wage Aotearoa NZ (February 2014)<sup>17</sup> distinguishes the living wage from the minimum wage with the latter being seen as more about basic necessities. Given concerns noted in paragraphs three to six above, the incidence of low pay and the rise in support for a living wage, however, we believe that the level of the living wage gives some indication of what the minimum wage should be. We note the New Zealand Council of Trade Unions' view that the minimum wage should be raised to 66 per cent of the average ordinary time wage calculated as \$19.08 (2014) is close to the living wage

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<sup>11</sup> Pillinger J. (2014). *Bargaining for Equality: How Collective Bargaining Contributes to Eliminating Pay Discrimination Between Women and Men Performing the Same Job of Equal Value*. European Trade Union Confederation.

<sup>12</sup> Blumenfeld S, Ryall S, & Kiely P. (2014). *Employment Agreements: Bargaining Trends and Employment Law Update 2013/14*, Centre for Labour, Employment and Work, Victoria University of Wellington. p44.

<sup>13</sup> Belman D, & Wolfson PJ. (2013). *What Does a Minimum Wage Do?* Michigan, USA: W.E Upjohn Institute for Employment Research.

<sup>14</sup> King P, & Waldegrave C. (2012). *Report of an Investigation into Defining a Living Wage for New Zealand*, The Family Centre Social Policy Research Unit.

<sup>15</sup> [www.livingwage.org.nz](http://www.livingwage.org.nz) accessed 2 October 2015.

<sup>16</sup> Human Rights Commission (2015). Business case for improving wages

<sup>17</sup> King P, & Waldegrave C. (2014). *Living Wage Aotearoa New Zealand 2014 Update*.

noted above. We believe that the minimum wage should rise to that level over the next few years, beginning with a significant increase in 2016.

## **Minimum Wage Review Questionnaire**

**What gains or positive impacts are likely from a moderate increase in the minimum wage rates for you or the people you represent?**

**What costs or negative impacts are likely from a moderate increase in the minimum wage rates for you or the people you represent?**

We refer to the sections: Poverty, Growth of insecure work and The gender pay gap above.

**How do you see the minimum wage working with other employment and income-related government interventions?**

We see the minimum wage working as part of an integrated policy approach to addressing low pay and inequity, with other linked interventions including: equal pay legislation that requires equal pay for work of equal value; employment legislation that in particular enables collective bargaining, provides adequate protection for those in insecure work and includes robust compliance mechanisms; a progressive taxation system; and Working for Families and other social welfare interventions.

**What sector or industry-specific issues related to changes in the minimum wage are you aware of? In what circumstances or types of work?**

We believe that low-paid workers in the hospitality, retail, aged care and the service sector generally are most affected by changes in the minimum wage. They disproportionately include workers who are women, young, migrant, part-timers, seasonal, Maori, Pacific, part-time and less skilled.

**Do you think there are additional issues relating to minimum wage rates that are relevant to you or the specific groups you represent or work with?**

We have addressed this question earlier in our submission.

**What would you consider an appropriate setting for the 2016 adult minimum wage? Why?**

We refer to the section Level of increase in the minimum wage above.

### Of the people you represent or employ:

#### What portion of workers are directly affected by the minimum wage?

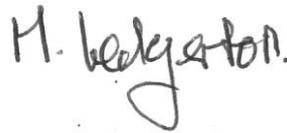
As noted in our introductory paragraph, 288 organisations are affiliated to NCWNZ either at a national level or to one of our 20 branches. About 260 women are individual members of branches. We have no specific data on those who are directly affected by the minimum wage.

### Conclusion

NCWNZ supports raising the minimum wage to 66 per cent of the average ordinary time wage over the next few years, beginning with a significant increase in 2016.<sup>181920</sup>



Rae Duff  
National President



Margaret Ledgerton  
Convener, Employment Standing Committee

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#### Additional References:

<sup>18</sup> Business for a Fair Minimum Wage (2015). <http://www.businessforafairminimumwage.org/>  
<http://www.businessforafairminimumwage.org/news/00135/research-shows-minimum-wage-increases-do-not-cause-job-loss>.

<sup>19</sup> International Labour Organisation (2015). National Employment Policies: Labour Institutions Social Protection and Employment.

<sup>20</sup> ILO. (2014). Collective Bargaining and Labour Relations. <http://www.ilo.org/global/topics/collective-bargaining-labour-relations/lang-en/index/htm>