

# Low pay and the minimum wage

The ILO defines low pay as two thirds of the median wage. As at June 2010 the median hourly wage was \$20.00. Therefore low pay is just above the current minimum wage at \$13.32. A low-paid job is at or close to the current minimum wage of \$13.00 an hour.

## New Zealand's situation

As at 1 April 2011, the adult minimum wage of \$13.00 an hour applies to all employees aged 16 years and over, who are not new entrants or trainees.

The new entrants' minimum wage is \$10.40 an hour. It applies to 16 and 17-year-olds unless they have completed 200 hours or three months employment, or who are supervising and training other workers or who are on the training minimum wage. The training minimum wage is \$10.40 an hour. It applies to employees who are undertaking at least 60 credits in a registered training programme.

An estimated 41,300 workers are on the minimum wage and 252,800 earn less than \$15.00 an hour. Youth, women, Māori, Pacific people and part-time workers are more likely to be low-paid workers.<sup>107</sup>

**Table 37: Workers paid the minimum wage by demographic group.<sup>108</sup>**

Demographic group	Percentage of workers paid minimum wage
Female	57.1%
Aged 18–24	56.5%
Part-time	56.0%
European/Pakeha	51.8%
Post-school qualification	37.2%
Married	36.6%
Māori	20.8%
Pacific	5.6%

The Department of Labour noted that “among the population aged 18 to 64 years the average hourly wage for females is 85.5% of the average hourly wage for males. Thus female wage and salary workers earn 14.2% less than males per hour. The Department of Labour advised that increasing the minimum wage to \$13.00 or \$13.50 would not change the gender pay gap significantly.

<sup>107</sup> *Minimum Wage Review 2010* Department of Labour

<sup>108</sup> *Ibid.* Referencing 2010 New Zealand Income Survey, Statistics New Zealand

Industry sectors most affected by changes to the minimum wage are hospitality, retail and agriculture. Approximately, 10.8% of hospitality workers are on the minimum wage, 9.1% of retail workers and 4.4% of agriculture workers. Low-wage jobs in the state sector paying at or near the minimum wage are teaching positions without recognised qualifications or training and non-teaching positions in schools, personal care, home help and childcare services paid for by ACC and home helpers funded by the Ministry of Social Development, and aged care workers and disability support workers funded by the Ministry of Health.

## International comparisons

Comparisons between countries across the OECD vary depending on the measure used. If the minimum wage itself is compared, either by purchasing power or by direct comparison, New Zealand rates about seventh among the 21 OECD countries. As a proportion of the average wage, New Zealand's minimum wage is the second highest of the OECD countries with available data, behind France. The Australian minimum wage is considerably higher than that of New Zealand, at NZ\$19.40 an hour. Because the New Zealand average wage is so much lower than that of Australia, the ratio between minimum wage and the average wage is higher in New Zealand.

The ILO's Decent Work programme has the following to say about the minimum wage: "The minimum wage must cover the living expenses of the employee and his/her family members. Moreover it must relate reasonably to the general level of wages earned and the living standard of other social groups." This principle reflects Article 23 (3) and Article 25 (1) of the UDHR, and Article 7 of ICESCR and ILO C131 Article 3 which states:

The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include:

- (a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;
- (b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment.

## National Conversation about Work

Many participants identified fair pay as an important element of equality at work. Participants whose income was at or close to minimum wage levels talked about the difficulties they experienced making ends meet. One Rotorua man told us that the rising cost of electricity did not just have an impact on the cost of keeping warm but also on the cost of cooking. He told us that "fish and chips are cheaper" once the cost of shopping and cooking are factored in. Being cold, combined with an inadequate diet and substandard accommodation contributed to poor health outcomes. Other participants said that staff on low wages seek longer work hours to gain an adequate income. Phyllis Puia, a cleaner, who was interviewed for the National Conversation video, said, "I have seen some older people work two to three jobs to make ends meet. This has to stop."

Another participant said, "Fair pay is a big issue for places like old people's homes. Care staff get dreadful wages for the work they do." Managers across industries as diverse as the aged-care sector and horticulture told us that they had to monitor the hours staff were working, including for other employers, to ensure safe working practices. Other people working in jobs paid at, or just above, the minimum wage felt the cost of tertiary study put their aspirations for career advancement out of reach.

Low-paid workers, such as cleaners in the Hutt Valley and bank workers in Taranaki, said that the prohibitive cost of early childhood education meant that parents had to use informal arrangements or choose not to participate in the labour-force.

## Payment below the minimum wage

Over 1,000 workers in New Zealand have minimum-wage exemptions. That is, their employer may legally pay them less than the minimum wage. This is discussed in the section on disabled workers. The Department of Labour notes that over the last ten years there has been an increase in the proportion of individuals reporting below minimum wages in the New Zealand Income Survey. With current data sources the Department reports that it is not clear whether this is caused by non-compliance, increased numbers of exemptions to the minimum wage or measurement error. The Department expects that the proportion of workers reporting below minimum wage rates will decline but is monitoring the issue.

Recent case law has upheld the right to the minimum wage (*Natsume v Valley of the Kings Ltd*, *Boniface v Credence Development Ltd*) and workers have been awarded back pay with interest. The “sleepover” case between *IDEA Services Ltd* and *Dickson* is also a minimum-wage case. The focus is on what constitutes “work” for the purposes of receipt of the minimum wage. The Employment Court and the Court of Appeal have determined that sleepovers in this case were work and therefore attracted the minimum wage. The case is now being appealed to the Supreme Court.

Just over one in seven (14.8%) New Zealand workers earn \$15.00 or less per hour, and 5.4% earn \$13.50.<sup>109</sup> Low wages often means long work hours, precarious work, reliance on government transfers, reliance on more than one job holder in a household and individuals holding more than one job. A recent survey shows that New Zealanders are increasingly concerned by income inequality.<sup>110</sup> An adequate standard of living as defined by the ILO is one which must cover the living expenses of the employee and his/her family members.

## Future action

- Progressively increase the level of both the minimum wage and the benefit levels to ensure universal entitlement to an adequate standard of living. This requires indexing rates to the national average wage, as currently happens to national superannuation, and ensuring regular increases to improve income and reduce inequality.



<sup>109</sup> *Minimum Wage Review 2010* Department of Labour

<sup>110</sup> *Wealth Gap Divides Nation* M Donaldson and A Hubbard, Sunday Star Times 23.01.2011