



## COVERSHEET

<b>Minister</b>	Hon Iain Lees-Galloway	<b>Portfolio</b>	Workplace Relations and Safety
<b>Title of Cabinet paper</b>	Order to Increase the Adult Minimum Wage to \$18.90 from 1 April 2020	<b>Date to be published</b>	12 March 2020

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
23 January 2020	Order to Increase the Adult Minimum Wage to \$18.90 from 1 April 2020	Office of Hon Iain Lees-Galloway
11 February 2020	LEG-20-MIN-0003: Minimum Wage Order 2020	Cabinet Legislation Committee

### Information redacted

**YES / NO** (please select)

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In Confidence

Office of the Minister for Workplace Relations and Safety

Chair, Cabinet Legislation Committee

## **Order to Increase the Adult Minimum Wage to \$18.90 from 1 April 2020**

### **Proposal**

- 1 I propose that the Cabinet Legislation Committee authorise the submission of the *Minimum Wage Order 2020* to the Executive Council.

### **Background**

- 2 The minimum wage is currently \$17.70 per hour for adults and \$14.16 per hour for starting-out workers and trainees. The adult minimum wage is paid to approximately 85,400 workers.
- 3 The *Minimum Wage Act 1983* (the Act) provides that the Governor-General may, by Order in Council, prescribe the minimum wage rates for:
  - 3.1 adult workers aged 16 years and over, for the purposes of section 4 of the Act
  - 3.2 starting-out workers, for the purposes of section 4A of the Act
  - 3.3 trainees, for the purposes of section 4B of the Act.

### **The Minimum Wage Order 2020 gives effect to Cabinet's decisions**

- 4 The *Minimum Wage Order 2020* gives effect to Cabinet's decisions to increase the adult minimum wage, and the starting-out and training minimum wage rates, from 1 April 2020 [DEV-19-MIN-0353].
- 5 The *Minimum Wage Order 2020* increases the minimum wage as outlined below.
  - 5.1 For adult workers aged 16 years or over, the rate will increase from \$17.70 per hour to \$18.90 per hour. For the purposes of the Order, this rate is also expressed as \$151.20 per day plus \$18.90 per hour for each hour exceeding 8 hours worked on a day, or \$756 per week plus \$18.90 per hour for each hour exceeding 40 hours worked in a week, or \$1,512 per fortnight plus \$18.90 per hour for each hour exceeding 80 hours worked in a fortnight.
  - 5.2 For starting-out workers, the rate will increase from \$14.16 per hour to \$15.12 per hour. For the purposes of the Order, this rate is also expressed as \$120.96 per day plus \$15.12 per hour for each hour exceeding 8 hours worked on a day, or \$604.8 per week plus \$15.12 per hour for each hour exceeding 40 hours worked in a week, or \$1,209.60 per fortnight plus \$15.12 per hour for each hour exceeding 80 hours worked in a fortnight.

- 5.3 For trainee workers, the rate will increase from \$14.16 per hour to \$15.12 per hour. For the purposes of the Order, this rate is also expressed as \$120.96 per day plus \$15.12 per hour for each hour exceeding 8 hours worked on a day, or \$604.80 per week plus \$15.12 per hour for each hour exceeding 40 hours worked in a week, or \$1,209.60 per fortnight plus \$15.12 per hour for each hour exceeding 80 hours worked in a fortnight.

### **Timing and 28-day rule**

- 6 The *Minimum Wage Order 2020* will come into effect on 1 April 2020.
- 7 In order to comply with the 28-day rule, the *Minimum Wage Order 2020* should be notified in the New Zealand Gazette no later than 3 March 2020.

### **Compliance**

- 8 The regulations comply with:
- 8.1 the principles of the Treaty of Waitangi
  - 8.2 the principles and guidelines set out in the Privacy Act 1993
  - 8.3 relevant international standards and obligations
  - 8.4 the Legislation Design and Advisory Committee's *Legislation Guidelines: 2018 edition*.
- 9 The *Minimum Wage Order 2020* does raise an issue of discrimination under section 19(1) of the *New Zealand Bill of Rights Act 1990* (BORA). The starting-out and training minimum wage rates continue to make a distinction on the basis of age, namely those aged 16 to 19 years, or employment status.
- 10 However, this discrimination appears to be justified in terms of section 5 of the BORA. 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. This encourages employers to take a chance on a young person, and provide opportunities for 16 to 19 year olds to engage in training in their chosen occupation. Young people can earn money, gain skills and get work experience. The starting-out and training wages help reduce the risk of young people falling into a cycle of long-term unemployment and welfare dependency.

### **Regulations Review Committee**

- 11 There do not appear to be any grounds for the Regulations Review Committee to draw these regulations to the attention of the House under Standing Order 319.

### **Certification by Parliamentary Counsel**

- 12 The *Minimum Wage Order 2020* has been certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

## Impact analysis

- 13 A Regulatory Impact Assessment accompanied the Cabinet Economic Development Committee paper seeking agreement to an increase to the minimum wage rates [DEV-19-MIN-0353].

## Publicity

- 14 An announcement of Cabinet's decision to raise the minimum wages to new rates was made on 18 December 2019.
- 15 The previous Cabinet Economic Development Committee paper and other relevant documents are scheduled for proactive release and will be uploaded to the Ministry of Business, Innovation and Employment's website by 21 February 2020.
- 16 I intend to proactively release this Cabinet paper.

## Consultation

- 17 The following agencies were consulted on this paper: the Treasury, State Services Commission, Accident Compensation Corporation, Department of Prime Minister and Cabinet (Child Poverty Unit and Policy Advisory Group), the Reserve Bank of New Zealand, Te Puni Kōkiri, Inland Revenue, Oranga Tamariki, the Ministries of Health, Education, Social Development and Justice, and the Ministries for Pacific People and Women.

## Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 11 December 2019 the Cabinet Economic Development Committee agreed to increase the adult minimum wage rate from \$17.70 per hour to \$18.90 per hour, and to increase the starting-out and training minimum wage rates from \$14.16 per hour to \$15.12 per hour [DEV-19-MIN-0353]
- 2 **note** that the Minimum Wage Order 2020 will give effect to the decisions referred to in recommendation 1 above
- 3 **authorise** the submission to the Executive Council of the Minimum Wage Order 2020; and
- 4 **note** that the Minimum Wage Order 2020 will come into force on 1 April 2020.

Authorised for lodgement

Hon Iain Lees-Galloway

Minister for Workplace Relations and Safety