



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

**WORKPLACE
RELATIONS
AND SAFETY
POLICY**

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Minimum Wage Review 2021

29 November 2021

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Minimum Wage Review 2021 – Report

1. This report supports the statutory obligation under the *Minimum Wage Act 1983* (the Act) for the Minister for Workplace Relations and Safety to review the minimum wage rates by 31 December each year.

The economic and labour market context

2. An estimated 160,600 workers aged 16 to 64 are paid the minimum wage in 2021, which is approximately 7.8 per cent of all wage earners in paid employment. The higher total percentage of minimum wage earners in 2021 compares with 3.5 per cent in 2018 (71,500), 4.2 per cent in 2019 (85,400) and 3.0 per cent in 2020 (57,700) (which was impacted COVID-19). This is to be expected as the minimum wage has moved closer to the median wage over this period, capturing a higher proportion of workers on the wage distribution.
3. Since the COVID-19 lockdown restrictions were eased in the third quarter of 2020, the economy has recovered and performed more strongly than anticipated. Government stimulus to support jobs and businesses has resulted in New Zealand having one of the strongest recoveries among OECD countries. Jobs and employment have grown across most sectors over the year to September 2021. Job ads data has returned to trend growth, and firms are reporting increasing difficulties in finding skilled and unskilled labour. However, demand for labour varies between and within industries, with changing alert level restrictions and supply chain disruption amplifying seasonal variation in output.
4. At the same time, labour market data indicates many working-aged people across regions want jobs or more hours of work; around 525,000 people in September 2021¹, many of whom are highly qualified. Most employees wanting to work more hours cite a lack of available work as the reason; health conditions and childcare responsibilities are also reported as constraints. The combination of many people being available for work, demand fluctuating (across sectors and regions), and businesses reporting being unable to fill vacancies suggests labour market mismatches could be becoming more pronounced, particularly in sectors (such as construction and health) that are experiencing rapid employment growth with highly diversified skill requirements.
5. Periods of rapidly adjusting skill supply and demand tend to be difficult for firms, workers and education providers to navigate. Much of the emerging mismatch is likely related to the need for continuing adjustment in the labour market. For instance, wages on offer may not be sufficient to attract available workers, or the location or hours of work cannot readily accommodate the situations of available workers (eg. childcare responsibilities). Many employees could prefer full-time (40 hour) work, but employers could be reluctant to overcommit themselves at this stage.

¹ This figure has come down from a high in September 2020 of approximately 685,000 people, meaning a net 160,000 workers have found jobs or extra hours of work over the past year.

6. More complex skills mismatches may also be emerging for jobs requiring specific or lengthy experience or qualifications with long training times which are less easily filled or substituted in the short term. This situation highlights long-term challenges. In some of these areas, training has not kept pace with demand and sectors have relied on immigration (eg. horticulture, agriculture, ICT, health, and construction).
7. The combined strong demand growth in the labour market and constrained migrant supply, however, is encouraging firms to make better use of the domestic workforce. The large increases in filled jobs and employment and reductions in underutilisation over the last year suggest wide-spread changes in employer behaviour.
8. Annual Gross Domestic Product (GDP) growth increased by 5.1 per cent in the year to June 2021, with 2.8 per cent growth in the June 2021 quarter alone. Treasury's Budget Economic and Fiscal Update (BEFU) forecasts annual GDP growth to increase by 3.2 per cent in the year ending June 2022, 4.4 per cent for the year ending June 2023 and 3.3 per cent in the year to June 2024.
9. The New Zealand Institute of Economic Research's (NZIER) September 2021 short – term consensus forecasts for GDP have been revised lower but expectations are for stronger recovery in demand over the next two years, with annual average growth in GDP forecast to remain at 4.5 per cent for the year to March 2023. However, while GDP has rebounded strongly over the past year, there remains considerable uncertainty about how the economy will perform in the next few years as the fiscal and monetary stimulus is progressively removed.
10. The annual change in the Consumer Price Index (CPI)² was 4.9 per cent in the year ending September 2021, which was higher than market expectations (4.5 per cent). This has increased from 3.3 per cent in the year ending June 2021 and 1.5 per cent in the year to March 2021. Treasury's BEFU forecast that CPI inflation would be 2.4 per cent in the year ending June 2021, then drop to 1.7 per cent in the year to June 2022, rising to 1.8 per cent in the year to June 2023, and increasing further to 2.0 per cent in the year to June 2024. ANZ Bank forecasts inflation levels of 2.3 per cent in the years to June 2022 and 2.0 per cent to June 2023. NZIER's Consensus Forecasts indicate that CPI inflation would be 3.5 per cent in the year to March 2022 before reducing to 2.0 in the year to March 2023 and 2.2 per cent in 2024.³
11. In the labour market, the unemployment rate fell to a record low 3.4 per cent in the September 2021 quarter, down from 4.0 per cent in the June 2021 quarter and 4.6 per cent in the March quarter and from 5.3 per cent in September 2020. The unemployment rate for men fell slightly less (down to 3.3 per cent from 3.8 per cent) than for women (down to 3.4 per cent from 4.2 per cent). NZIER forecasts the unemployment rate to remain below 4 per cent by 2023 before rising to over 4 per cent in the following years.

² The Consumer Price Index measures the change in the price of goods and services for a basket of goods intended to be representative for an 'average' New Zealand household.

³ NZIER, [Consensus forecasts sep 2021.pdf \(nzier.org.nz\)](#)

12. The official underutilisation rate⁴ also fell to a low 9.2 per cent in the September 2021 quarter, down from 10.5 per cent in the previous quarter and from 13.1 per cent in September 2020), with decreases in underemployment (down 11,000 people), unemployment (down 18,000 people) and the potential labour force (down 7,000 people). It is worth noting though, that the official measure of unemployment is not capturing all underutilised workers, for example, 60 per cent of current employees looking for more hours of work are not counted as underemployed because they work 30+ hours.
13. The negative net employment growth⁵ that was suggested in last year's review report did not materialise as the labour market proved to be more resilient than expected. Annual employment growth was positive with 116,000 jobs added to the economy in the year ending 30 June 2021, which was an annual growth rate of 4.3 per cent. Employment grew by 55,000 (2.0 per cent) people over the September 2021 quarter, with 15,000 increases for men and 40,000 for women. NZIER's September 2021 Consensus forecasts estimate annual net employment growth in the year to June 2022 to be 2.1 per cent, 2.0 per cent to June 2023 and 1.7 per cent to June 2024.
14. Māori employment, labour participation, unemployment and underutilisation figures, in particular, have all improved in the year to September 2021. Māori labour market participation increased, with the participation rate increasing to 68.7 per cent in the September 2021 quarter (up 2.2 per cent over the year). Māori women had an increase in participation, up 11.8 per cent (20,200) to 191,300 over the year to June 2021. For Māori, the unemployment rate fell to 6.9 per cent (down 1.9 percentage points compared to the same time last year) while the European unemployment rate sits at 2.6%. The decline in the Māori unemployment rate was driven mostly by the combination of employment growth of 29,900 people, and the number of people unemployed falling by 5,600 people. Māori underutilisation dropped to 15.5 per cent (down 3.9 per cent over the year).
15. The participation rate also increased for Pacific people, up 0.4 per cent over the year to 66.5 per cent. For Pacific Peoples, the unemployment rate fell to 5.5 per cent (down 2.6 percentage points over the same period). This was due to a decrease in the number of people participating in the labour force (unemployment down 5,100 people, and employment down 2,500 people). Underutilisation reduced to 13.2 per cent (down 4.1 per cent over the year).
16. Over the year to September 2021, the number of young workers not in employment, education or training (NEET) remained unchanged at 80,000. The NEET rate dropped to 12.4 per cent (down from 13.2 per cent in September 2020). While positive, youth unemployment figures in the September 2021 quarter remain persistently high with

⁴ Underutilisation reflects people who: do not have a job, but are available to work and are actively seeking employment – unemployed; are employed part time (fewer than 30 hours a week) and who both want and are available to increase the number of hours they work – underemployed; want a job and are available to work, but are not currently looking for a job – available potential jobseeker; are unavailable to start work but are looking for a job as they will be able to start work within the next month – unavailable jobseeker.

⁵ Net employment growth is the rate at which new jobs are created in the economy.

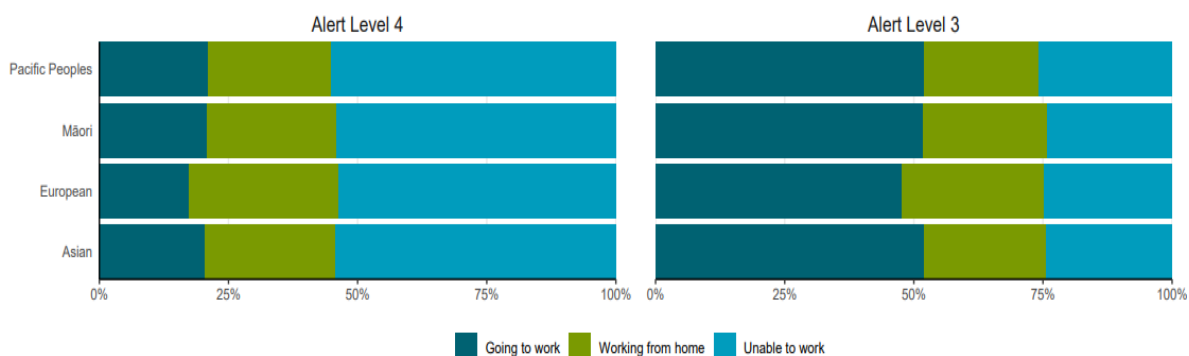
15.4 per cent of workers aged 15-19 years old unemployed (down from 17.9 per cent in the June 2021 quarter) and 6.2 per cent of workers aged 20-24 years old unemployed (down from 6.3 per cent in the June 2021 quarter). This is significant given the minimum wage heavily influences youth wages, as further increases in the minimum wage may have further negative effects on youth.

17. There are signs that the labour market is tightening, most notably with rising wages and skills and labour shortages reported in some sectors and regions. Median hourly wages grew by 2.8 per cent in the year to June 2021 to \$27.76 per hour (HLFS). Average QES ordinary time hourly earnings increased to \$35.25 over the year to September 2021 (up 3.5 per cent) and average weekly earnings increased to \$1,367 for full-time equivalent employees over the year (up 9.1 per cent). The labour cost index (LCI) for all salary and wages in the year to September 2021 rose by 2.4 per cent, which was slower than annual CPI inflation (up 4.9 per cent). Before COVID-19, annual wage growth had begun to rise, and peaked at 2.6 per cent in the year to December 2019.
18. In the year to September 2021, 42 per cent of all wage and salary earners did not receive any ordinary time wage increase. This was lower than the long run quarterly average of 44.6 per cent since LCI reporting began in September 2012. Of the wage earners who did receive an increase in the year to September 2021, 18 per cent received a wage increase of 5 per cent or more, the highest proportion since 2012 and double the average over this time, and another 13 per cent received an increase of between 3 and 5 per cent, which is slightly higher than average. The main reason provided for the increase was to address changes in the cost of living. Treasury forecasts average ordinary hourly wage growth of 3.0 per cent in the year to June 2022 followed by 2.4 per cent and 2.8 per cent rise in 2023 and 2024 respectively.
19. However, median hourly earnings from wages and salary for full-time workers who are Māori (\$26.53), or Pacific (\$24.98) continue to lag behind all groups (\$29.18). Annual median wage growth was also slower over the year to June 2021 for full-time Māori workers (0.61 per cent) and Pacific People (-0.08 per cent) in comparison to all groups (1.43 per cent), suggesting that Māori and Pacific People did not share in as much of the benefits of the economic and labour market recovery as other workers.⁶
20. This widening gap in the median wages between ethnic groups reflects a longer-term trend, even though this gap did close. This was possibly because a higher proportion of Māori and Pacific people were essential workers during the last year's lockdowns. It may, however, more likely indicate a higher proportion of Māori and Pacific people were unable to work from home and were supported by the wage subsidy scheme. This was likely to be the bigger factor for the narrowing wage gap as MBIE observed a considerable increase in people receiving similar payments⁷ in the June 2020 quarter.

⁶ Stats NZ, 2021, Earnings from wage and salary jobs by sex, age groups, ethnic groups, and full-time status [NZ.Stat \(stats.govt.nz\)](https://stats.govt.nz)

⁷ Over the June 2020 quarter, many people received the same weekly income of \$585.80 which is the same as the wage subsidy payment amount. This contributed to reducing the wage gap by putting more people on the same lower pay rate.

Figure 1: Māori and Pacific people’s work during 2020 COVID-19 lockdowns



21. The economic recovery, however, has not been evenly spread across all sectors or regions. Businesses that rely on face-to-face transactions or on cross-border flows of people and goods have not recovered to the same extent, owing to ongoing border restrictions that are limiting international travel and freight. Tourism, hospitality, events management and retail trade have and continue to be the most severely affected by public health measures. These sectors employ a high proportion of minimum wage workers. Many employers in these sectors are also small businesses that have tight operating margins, are sensitive to cost increases and will be particularly vulnerable to large minimum wage increases.

The minimum wage review approach and consultation

22. The objective of the minimum wage review is to *‘keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses’* (CAB Min (12) 41/5B refers).
23. Consultation partners included BusinessNZ, the New Zealand Council of Trade Unions (NZCTU) and government agencies. We also consulted non-governmental organisations, including charities.
24. Worker representatives suggested that increasing inflation, particularly core inflation, will affect workers’ cost of living, especially for those on the lowest incomes. Many minimum wage workers were essential workers and increasing the minimum wage would reward and recognise them for the risks and hardship they endured during lockdown. With low unemployment levels and a tight labour market, increasing the minimum wage is unlikely to have significant dis-employment effects.
25. The New Zealand Council of Trade Unions (NZCTU) submitted that the minimum wage should increase to the current Living Wage rate of \$22.75. It notes that this level of wage ensures that workers can pay for the necessities of life and participate as an active citizen in the community. It also reflects the basic expenses of workers and their families such as food, transportation, housing and childcare. The NZCTU also noted that inflation has affected those with the lowest incomes the most, and was nearly 40% higher for those with the lowest 20% of incomes over the past ten years than for those with the highest 20%.

26. Employer representatives noted that COVID-19 has placed severe constraints on many businesses, particularly small to medium sized enterprises. They reported that cashflows are extremely tight in areas typically employing the highest concentrations of those on or about the minimum wage, such as tourism, horticulture, agriculture, hospitality and retail. Employers highlighted the risk of reduced employment opportunities, particularly for youth and those without qualifications. They argued that New Zealand already has a high minimum wage and further increases will not increase productivity. They submitted that minimum wage increases incentivise businesses to automate their operations or move them offshore, cut jobs, reduce hours or shift to hiring more skilled, higher wage employees.
27. BusinessNZ recommended that conservative increases be set on a year-by-year basis, based on a rolling average of movements in the CPI or LCI (or both), until such time as economic stability is regained. The Employers and Manufacturers Association suggested that there be no increase next year, and that subsequent increases be indexed to labour costs and/or the CPI.

The minimum wage options considered in this review

28. The Minimum Wage options listed and summarised in Tables 1 and 2 below are mostly based on recognised economic or wage-related indicators or measures. We recommend this approach as it enables the final decisions on any increase to be evidence-based, and set against a marker that businesses and the wider public can readily understand.
29. We have not considered options greater than \$22.75 per hour because this would increase the minimum wage to a level beyond Living Wage Aotearoa's Living Wage rate of \$22.75. Neither have we considered options less than the status quo, as this would not meet the objective of the minimum wage policy.

Limitations on the analysis

30. MBIE's minimum wage model uses economic and employment data by earnings to estimate the employment effects of different increases to the minimum wage, as well as the incidence of the different minimum wage options.
31. When the minimum wage increases, labour costs for businesses increase either directly as they employ minimum wage workers, or indirectly because of flow-on effects to the wages of workers paid close to the minimum wage. Material and service supply costs can also increase as higher labour costs further up the supply chain are passed on.
32. Employers may respond by absorbing the rises by accepting lower profits or by increasing the price of goods produced or services provided. Employers may also respond by reducing their highest input costs, which is usually labour. Negative labour or dis-employment effects resulting from this include job losses, lower job growth, unfilled vacancies and reduced hours of work.

33. The extent of these effects will depend on the size of the minimum wage rate increase, the economic and labour market context, and how firms respond. Only the first of these factors, however, can be fully understood in advance. For this reason, the estimates below should be treated as indicative, and based on a ‘point in time’ set of assumptions that may not necessarily come to pass.
34. By way of example, the risks outlined in last year’s report did not materialise to the extent forecast, because the economy has not been impacted by COVID-19 to the degree that had been forecast. In part, this is due to the fiscal and monetary stimulus provided to support business activity and keep workers attached to jobs. This could well be the case again. The emergence of the Delta and Omicron variants, in particular, mean that the economic environment remains difficult to predict.

Table 1: Minimum wage options included in the 2021 review (MBIE’s recommended rate is highlighted and bold)

Option	Minimum Wage Rate (per hour)	Description	Comparable economic or wage indices
1	\$20.00	Current minimum wage - Status quo	<ul style="list-style-type: none"> For comparison
2	\$20.35	Consumer Price Index – inflation (BEFU forecast)	<ul style="list-style-type: none"> CPI increase - BEFU⁸ forecast to April 2022 (\$20.34)
3	\$20.60	Median hourly earnings	<ul style="list-style-type: none"> Household living-costs price indexes (HLPI) - lowest income quintile & all households (\$20.50) Median hourly earnings (\$20.56) Average ordinary hourly wages (All) - BEFU forecast increase (\$20.60) Labour Cost Index (Lower Skilled) (\$20.61) Rental price index – annual change in stock, year to end of September 2021 (\$20.64) Historic growth rate for the Living Wage since 2018 (\$20.69)
4	\$20.80	Average ordinary hourly wages - Lower quartile incomes	<ul style="list-style-type: none"> Average ordinary hourly wages (Lower quartile incomes) – HLFS estimate to June 2021 (\$20.78) Food price index – annual change year to end of September 2021 (\$20.80)
5	\$21.00	CPI increase – annual increase to September 2021 (Stats NZ)	<ul style="list-style-type: none"> CPI increase – annual increase to the end of September 2021 (\$20.98) GDP (Production) growth rate (\$21.02)

⁸ Budget Economic and Fiscal Update (BEFU) - released 20 May 2021. BEFU forecasts are to the end of June for the year noted. Treasury will release its next forecasts in mid-December 2021 (Half-Year Economic and Fiscal Update (HYEFU)).

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6	\$21.25	4-year average annual increase in the minimum wage rate (since 2017)	<ul style="list-style-type: none"> 4-year average annual increase in the minimum wage rate since 2017 (\$21.23)
7	\$21.40	Minimum wage growth to align with Living Wage Aotearoa's Living Wage within 5 years	<ul style="list-style-type: none"> Rental price index – annual change in flow, year to end of September 2021 (\$21.56)
8	\$21.75	Minimum wage growth to align with Living Wage Aotearoa's Living Wage within 3 years	<ul style="list-style-type: none"> N/A
9	\$22.75	Living Wage 2021	<ul style="list-style-type: none"> 2021/22 rate calculated and published by the Living Wage Movement Aotearoa New Zealand from 1 September 2021

Table 2: Summary of the impacts of the minimum wage options⁹

Minimum wage rate impact measures	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7	Option 8	Option 9
Adult minimum wage (hourly rate)	\$20.00	\$20.35	\$20.60	\$20.80	\$21.00	\$21.25	\$21.40	\$21.75	\$22.75
Adult minimum wage (gross weekly income ¹⁰)	\$800.00	\$814.00	\$824.00	\$832.00	\$840.00	\$850.00	\$856.00	\$870.00	\$910.00
Adult minimum wage (gross annual income)	\$41,600	\$42,328	\$42,848	\$43,264	\$43,680	\$44,200	\$44,512	\$45,240	\$47,320
Percentage increase from existing minimum wage	N/C	1.75%	3.00%	4.00%	5.00%	6.25%	7.00%	8.75%	13.75%
Relativity to median wage ¹¹	72.1%	73.3%	74.2%	74.9%	75.6%	76.6%	77.1%	78.4%	82.0%
Relativity to average wage ¹²	57.5%	58.5%	59.3%	59.8%	60.4%	61.1%	61.6%	62.6%	65.4%
Relativity to Job Seeker support ¹³	254.2%	258.6%	261.8%	264.4%	266.9%	270.1%	272.0%	276.4%	289.1%
Number of people directly impacted (rounded up to nearest 100)	NA	183,100	208,200	217,200	230,300	300,700	309,100	347,600	475,900
Estimated restraint on employment (point estimate rounded up to nearest 100) ¹⁴	N/C	N/C	N/C	-2,000	-3,900	-6,400	-7,900	-11,300	-21,100

⁹ To ensure comparability between options, the modelling of all options is for the calendar year from 1 April 2021.

¹⁰ This is calculated on a 40 hour week basis.

¹¹ The median hourly earnings are \$27.76 per hour (Labour Market Statistics (Income), June 2021).

¹² The average ordinary time hourly earnings are \$34.76 per hour or \$1,360.62 gross per week (Labour Market Statistics, September 2021).

¹³ For a single adult, aged 25 or over, receiving \$314.73 (gross) per week as at 1 July 2021.

¹⁴ The employment effects for '16-64 year olds' are represented.

Estimated economy-wide increase in wages (annual)	N/C	\$83m	\$151m	\$212m	\$278m	\$389m	\$458m	\$637m	\$1,317m
Estimated inflationary impact/GDP	N/C	0.03%	0.05%	0.07%	0.09%	0.12%	0.15%	0.20%	0.42%
Additional annual costs to the government (\$m) ¹⁵	N/C	14.9	25.3	33.7	43.0	52.9	59.4	76.5	135.9

35. The employment restraint figures for the Options 1 - 7 are lower than the estimated restraint of -9,000 people for the increase to \$20.00 in 2021. In comparison, the restraint figures assessed for the minimum wage changes implemented in 2018 and 2019 were -8,000 and -6,500 respectively.
36. The restraint figures are lower than expected, particularly for the \$20.80 and \$21.25 options, due to actual average wage growth in 2021 (4.0 per cent) being higher than the Treasury's forecast wage growth in 2022 at Budget 2021 (3.0 per cent) and at the onset of COVID-19 in 2020 (0.9 per cent). The incidence of the minimum wage for the \$20.60 and \$21.00 options, at about 208,200 and 230,300 workers respectively, shows that around 92,500 additional workers could benefit from the minimum wage increasing to \$21.00.
37. We have also considered Treasury's net employment growth forecasts to see if the overall growth in employment would likely absorb workers who may potentially lose their jobs. For the year to 30 June 2021, net employment growth was positive adding 21,000 to 24,000 jobs to the economy, which was a growth rate of 0.8 to 0.9 per cent.
38. Treasury forecasts net employment growth the year to 30 June 2022 to be around 1.4 per cent, which is equivalent to 38,000 jobs. This suggests that any workers who are likely to have lost their jobs or are working reduced hours due to the minimum wage increasing to between \$20.80 and \$21.25, are likely to have new jobs available to consider, although this will depend on individual worker's skills and the sector/region in which they are seeking new opportunities.

MBIE recommends setting the minimum wage at \$21.00 in 2022

We recommend that:

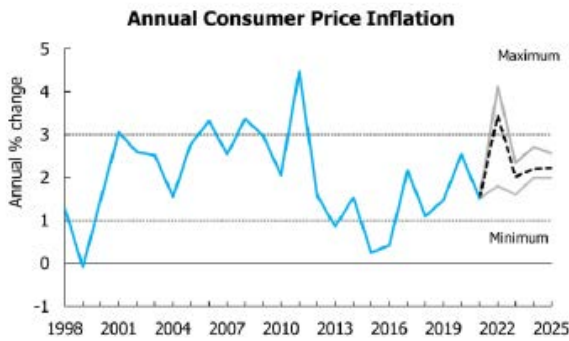
- **the new adult minimum wage should be set at \$21.00 and come into effect on 1 April 2022; and,**
 - **the starting out and training minimum wages remain at 80 per cent of the adult minimum wage, at \$16.80.**
39. Increasing the minimum wage to \$21.00, a 5.0 per cent increase, would match the annual rate of CPI annual increase in the year to the end of September 2021 (4.9 per cent). This would achieve the objective of the minimum wage review, which is to

¹⁵ This is a high level estimate based on the additional costs to the Ministries of Health, Social Development and Education, Oranga Tamariki and Accident Compensation Corporation. It does not include potential transfer savings.

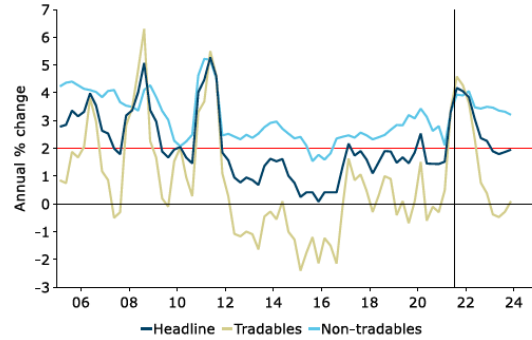
protect the real incomes of low-paid employees while minimising the potential risk of job losses. This recommendation takes into account the following factors:

- In 2012, Cabinet agreed that the objective of the minimum wage review is to ‘keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses’ (CAB Min (12) 41/5B).
 - Up to 230,300 workers (those currently earning up to \$21.00) would receive an increase up to the new minimum wage.
 - The estimated ‘negative’ effects of this level of increase are not disproportionately large. \$21.00 has substantially lower restraint on employment in comparison to the higher options (6 to 10). MBIE estimates that less than 3,900 individuals (our low estimate is 2,300 and our high estimate is 4,400) may not be in employment than there would have been if the minimum wage had not increased. This is much lower than the estimated employment restraint assessment made in 2020 of -9,000 people in 2021 at the minimum wage of \$20.00 and is also lower than the restraint figures assessed in 2018 (-8,000) and 2019 (-6,600) for the previous increases in 2019 and 2020.
 - We estimate an annual economy-wide increase in wages of \$278 million, additional annual costs to Government of \$43.0 million and 0.09 per cent inflationary impact for an increase in the minimum wage to \$21.00. In comparison, for an increase in the minimum wage to \$20.00 in 2021, we estimated an additional annual economy-wide increase in wages of \$216 million, additional annual costs to Government of \$49.9 million and 0.10 per cent inflationary impact.
 - Larger minimum wage increases to levels higher than \$21.00 will put potentially unsustainable cost pressure on employers, particularly in vulnerable sectors that have been hardest hit by the effects of the COVID-19 lockdowns.
 - Workers who are young, female, Māori, Pasifika, part-time employees, without formal qualifications, or working in the retail and hospitality industries are more likely to be paid at the minimum wage rate. These are also the groups who are most likely to experience job losses and reduced hours, although these are also the workers benefitting from less low-skilled migration.
 - A differential between the adult minimum wage and the training and starting-out rates may support the transition of youth into employment and could help further the policy objective of incentivising employers to take on and support trainees.
40. Many economists suggest that inflationary pressure (on wages and prices) will continue to increase and forecast the CPI to rise to around 6 per cent by March 2022. Expectations are that inflation will subside by the middle of 2022, before settling to around 2 per cent in 2023 and 2024.

Figures 2 and 3: Historic and forecast inflation – NZIER and ANZ



Source: NZIER Consensus Forecasts Sept 2021



Source: ANZ Quarterly Economic Outlook Sept 2021

41. The rate of increase of the proposed new rate also exceeds the increases in median hourly wages in the year to June 2021; Treasury’s Budget 2021 forecast for average ordinary hourly wages and forecast annual CPI increase in the year to June 2022; and the increase in the labour cost and rental price (stock) indices to June 2021. Positive net employment growth and a tight labour market mean that the negative employment effects of minimum wage increases are likely to be mitigated by new jobs created and available in the economy.
42. One key concern we have is that recent increases in the minimum wage have been higher than median wage growth, which has compressed the wage distribution curve more towards the median wage, steepening the lower wage side. This means that increases in the minimum wage from this point are likely to impact on more workers than has previously been the case. The distributional impact of the minimum wage is shown below in Figure 4.



Source: Maré and Hyslop, 2021¹⁶

¹⁶ David C. Maré and Dean R. Hyslop, March 2021, Minimum Wages in New Zealand: Policy and practice in the 21st century, Motu Working Paper 21-03, [Minimum Wages in New Zealand: Policy and practice in the 21st century | Motu](#). Source notes: Distributions are centred at the 1st and 99th percentile values of overall wages in each period.

43. The increased minimum wage 'bite' discussed above makes increases likely to have a greater effect on employers' costs. The proposed rate of \$21.00 will directly impact around 230,300 workers at a cost to businesses of \$278 million, whereas an increase to \$21.25 benefits approximately 300,700 workers (70,400 more) at a total cost of \$389 million (\$111 million more) to businesses. Increasing the minimum wage rate by a further \$0.25 to \$21.40 would benefit approximately 78,800 (34 per cent more than \$21.00) additional workers but at an increased total cost of \$458 million (65 per cent more than \$21.00) in wages to businesses.
44. With the larger increases to the minimum wage above \$21.00, the total wage costs for employers may become unaffordable for some firms, particularly those in sectors most affected by lockdowns and with high numbers of minimum wage workers. These sectors currently include hospitality (with 29.5 per cent of workers on the minimum wage), retail (18.4 per cent), administrative services (15.5 per cent) and manufacturing (7.3 per cent). This risks vulnerable businesses ceasing trading or downsizing, which could increase unemployment and/or underutilisation for lower-paid employees, particularly those people on or near the current minimum wage.

The recommended approach leaves space for Fair Pay Agreements (FPAs) to deliver a minimum wage premium in sector negotiations

45. FPAs will enable employers and unions within a sector to bargain for minimum employment standards for all employees in that industry or occupation, including the minimum wage rates.¹⁷ Where an FPA sets minimum wage rates, the statutory minimum wage would not apply. Over time, as FPAs proliferate, the statutory minimum wage setting may become less relevant and only apply to jobs and sectors without FPAs. The statutory minimum wage will set the minimum benchmark level from which FPA negotiations over an industry's lowest wages are likely to start from.
46. MBIE's view is there should be some scope for FPA bargaining to agree sector minimum wage rates that are higher than the statutory rate, or other improved terms if they prefer. This would enable agreements to better reflect the skills, conditions, job and possibly regional characteristics, and preferences of a particular industry's lowest paid workers. Setting the minimum wage rate too high will potentially reduce the scope or flexibility for FPA negotiations to agree on such a premium, or on significant improvements in different terms, such as overtime or penalty rates.

Next steps

47. Changes to the minimum wage have previously been announced prior to Christmas and are given effect in the following year through an Order in Council under section 4

Vertical lines indicate the (average) prevailing minimum wage applying to each group in 1997-00, 2008-11, and 2018-20.

¹⁷ The *Minimum Wage Act 1983* does not have provisions that enable sector-based or differential minimum wage rates to be set in specific circumstances e.g., regional minimum wages.

of the Minimum Wage Act 1983. Since 2007, changes to the minimum wage have come into effect on 1 April. There is no obligation to change the minimum wage rates or a requirement that any rate changes come into effect on a particular date.

48. If you agree with MBIE's recommendations, the next step would be to seek Cabinet agreement to the following decisions before the end of December 2021:
- Set the adult minimum wage at \$21.00 per hour and the training and starting out minimum wage rates at \$16.80 per hour to come into effect on 1 April 2022, subject to:
 - No major widespread occurrences of COVID-19 resurgence in the community that require further lockdowns to come into effect
 - Key economic indicators at HYEPU 2021 remaining consistent with or better than those forecast in Treasury's BEFU 2021¹⁸
 - Key labour market indicators at HYEPU 2021 remaining consistent with or better than those forecast in Treasury's BEFU 2021¹⁹, and
 - Announce these decisions to the public prior to the end of 2021 to enable employers to plan and incorporate any changes into their administrative and payroll systems.

Recommended indicative minimum wage rates for 2023 and 2024

49. In 2017, the previous Government committed to increasing the minimum wage progressively to \$20.00 in 2021. At this time, employer and employee representatives expressed the desire for certainty around this intended increase, which resulted in indicative rates being specified for 2019 and 2020.
50. Setting indicative rates enables the Government to signal its broader intent for wages beyond what the labour market may or may not determine. It also provides greater certainty for employers, so that they can plan for upcoming labour cost increases, and more accurately estimate prices for future goods and services. For workers, indicative rates can provide greater certainty of future income.
51. In addition, both employer and worker representatives have noted that setting indicative rates in advance would enable collective bargaining processes to proceed in an informed manner. Parties would not need to predict what the minimum wage could be in the future years so it would be covered by an agreement.
52. The Government has publicly indicated that it intends to set indicative minimum wage rates to come into effect in 2023 and 2024.

¹⁸ Forecasts based on Treasury's BEFU 2021, updated in the Half Year Economic and Fiscal Update (HYEFU) due to be released in December 2021 that include Gross Domestic Product (GDP), Consumer Price Index (CPI)

¹⁹ Forecast indicators based on Treasury's BEFU 2021, updated in Statistics New Zealand quarterly updates that include employment rate, unemployment rate, net employment growth, wage inflation, and labour underutilisation

We recommend that the following increases for 2022, 2023 and 2024 (Option 5 in Table 3):

- **\$21.00 in 2021/22** (increase by 5.0 per cent)
- **\$21.40 in 2022/23** (increase by 2.0 per cent)
- **\$21.90 in 2023/24** (increase by 2.2 per cent)

This represents an average annual increase of 3.2 per cent over the three years to 2024.

53. The Minimum Wage Act requires you to review the minimum wage each year. We recommend that you select a rate for 2022 that reflects your preferred methodology for setting the minimum wage, and continue using that methodology for 2023 and 2024. Our recommended methodology for determining these minimum wage increases is based on prevailing and forecast rates of annual increases in the CPI.
54. Once your preferred methodology is confirmed, MBIE's annual reviews for 2022 and 2023 can be more streamlined. These reviews will provide an opportunity to either confirm the indicative rates as already announced, or adjust them if required. This methodology could apply to any index-based approach to setting the minimum wage.
55. For example, if the CPI increases more substantially than is currently forecast, the indicative rates for 2023 and 2024 may require updating. The indicative rates could be issued with a caveat that they are subject to change, in line with any differential between current inflation forecasts and actual inflation over this period.

Options for indicative rates for 2023 and 2024

56. Statistics NZ reported annual inflation rates of 3.3 per cent and 4.9 per cent for the years to June and September 2021 respectively. Economic forecasts (compiled by NZIER) suggest that inflation is likely to remain high in the short term to the middle of 2022 (between 3.5 and 5.8 percent) and then reduce to 2.0 per cent in 2023 (range between 1.6 to 2.3 per cent) and then rise again to 2.2 per cent in 2024 (range between 2.0 to 2.7 per cent). These estimates align well with the ANZ Bank's trajectory for inflation that forecasts annual CPI growth of 5.8 per cent to March 2022, 2.5 per cent to March 2023 and 1.6 per cent to December 2023.
57. The table overleaf provides indicative rates for 2023 and 2024, with each option having been increased either by the current forecasts for the indicator noted or, for non-forecast indicators, the average percentage by which the corresponding indicator has risen since 2017.
58. MBIE's model predicts the impact of a single change as a one-off event, which is consistent with the Minimum Wage Act 1983 (the Act) and the requirement that the minimum wage is reviewed annually. Modelling any impacts beyond 2022 is not reliable, as the level of uncertainty with the estimates rises considerably. Therefore, we have not attempted to analyse the impacts of the indicative rates set out below.

Table 3: Indicative adult minimum wage rates for 2023 and 2024 based on current forecasts

Option	Indicator description	2022	2023	2024	Percentage Increase 2021-2024	Measure used for increase to 2024
2	Consumer Price Index – inflation	\$20.35	\$20.70	\$21.15	5.8%	Treasury 2021 BEFU Forecast
3	Median hourly earnings	\$20.60	\$21.10	\$21.70	8.5%	Treasury 2021 BEFU Forecast
4	Average ordinary hourly wages - Lower quartile incomes	\$20.80	\$21.60	\$22.45	12.3%	Treasury 2021 BEFU Forecast
5	CPI increase – annual increase to September 2021 (Stats NZ)	\$21.00	\$21.40	\$21.90	9.5%	NZIER Consensus Forecast rates of inflation (Sept 2021)
6	Historic average annual increase in the minimum wage rate since 2017	\$21.25	\$22.55	\$23.90	19.5%	Average percentage increase since 2017
7	Minimum wage growth to align with Living Wage Aotearoa’s Living Wage within 5 years	\$21.40	\$22.85	24.27	21.4%	Calculated based on the average percentage increase in the Living Wage Aotearoa’s Living Wage since 2017
8	Minimum wage growth to align with Living Wage Aotearoa’s Living Wage within 3 years	\$21.75	\$23.51	\$25.27	26.4%	Calculated based on the average percentage increase in the Living Wage Aotearoa’s Living Wage since 2017
9	Living Wage 2021 ²⁰	\$22.75	\$23.30	\$23.85	19.3%	Annual increases published in Government’s contracts procurement policy ²¹

²⁰ The 2021/22 rate calculated and published by the Living Wage Movement Aotearoa from 1 September 2021.

²¹ [Guide to paying a living wage in contracts \(procurement.govt.nz\)](https://www.procurement.govt.nz/guide-to-paying-a-living-wage-in-contracts). The Government intends to publish a 5-year trajectory for the procurement living wage with annual reviews and any adjustments by 1 September each year.

Annex One: Review analysis and supporting information

Section One - Approach to the 2021 review

Statutory and international obligations require the minimum wage to be reviewed annually

1. New Zealand has obligations under the International Labour Organisation's (ILO's) Minimum Wage-Fixing Machinery Convention (1928) to ensure a minimum wage rate is in force and that employers and workers are informed of the current rate.²² The ILO recommends regular reviews of the minimum wage rate to preserve its purchasing power and provide certainty and predictability for employers.²³
2. There are strong rationales for having a minimum wage, including: providing a wage floor to protect workers against unfairly low pay and ensuring a decent return for their labour; and, supporting workers who do not have the bargaining power or capability to negotiate. Secondary objectives include contributing towards providing income support for the lowest paid workers, addressing poverty, reducing wage inequality and promoting firm productivity.
3. Reviewing minimum wages periodically protects real incomes by ensuring workers' purchasing power is not eroded by inflation (for example, using the consumer price index (CPI) as an indicator); maintaining relativity to median or average earnings; and lifting the incomes of low-income households in relation to household costs, known as the Household living-costs price index (HLPI)²⁴. In the absence of annual increases to the minimum wage, these workers would likely receive no annual increase, or an increase lower than inflation. Over time, workers' real incomes for the same work would reduce, which could increase income inequality.
4. The Ministry of Business, Innovation and Employment's (MBIE's) analysis for this proposal does not include examining the merits of the underlying rationale for the minimum wage. Nevertheless, it is worth noting that the minimum wage is a well-established and accepted feature of New Zealand employment law.
5. The *Minimum Wage Act 1983* (the Act) establishes the minimum adult, training and starting out hourly rates that can be paid to employees. Section 5 of the Act requires the Minister for Workplace Relations and Safety to review the minimum wage rates by 31 December each year.
6. The Minister for Workplace Relations and Safety makes a recommendation to the Governor-General to prescribe the minimum wage following his review of MBIE's

²² Article 4, Convention Concerning the Creation of Minimum Wage-Fixing Machinery, CO26 (1928) (opened for signature 16 June 1928, entered into force 14 June 1930).

²³ International Labour Organisation. (2016). *Minimum wage policy guide*.

²⁴ The Household Living-Costs Price Indexes are produced by Statistics NZ and track the experience of inflation for different groups (e.g. for beneficiaries, superannuitants and Māori, and by income and expenditure quintiles).

advice and seeks Cabinet approval of any changes. Minimum wage changes are set through an Order in Council made under section 4 of the Act.

7. To inform this decision, each year MBIE prepares a minimum wage review report that analyses the potential implications of an increase in the minimum wage rates for the Minister to consider. Access to the data used in this analysis was provided by Statistics NZ under strict micro-data access protocols and conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this report are the work of MBIE, not Statistics NZ or individual data suppliers and the findings are not Official Statistics.
8. There is no statutory obligation to make decisions regarding the minimum wage rates by a particular date. In previous years, Ministers have sought Cabinet approval of new rates in mid-December and announced the changes prior to Christmas to come into effect on 1 April in the following year.

Minimum wage reviews are either ‘comprehensive’ or ‘streamlined’

9. In 2012, Cabinet agreed that a ‘comprehensive’ review would be completed every four years (2015, 2019, 2023), with ‘streamlined’ reviews occurring during the intervening years.²⁵
10. Streamlined reviews consider the impact of any minimum wage change on inflation, wage growth, restraint of employment growth and fiscal impacts on government. A streamlined review requires consultation with the Government’s social partners, the New Zealand Council of Trade Unions (NZCTU) and BusinessNZ.
11. Comprehensive reviews build on the streamlined review process and must consider ‘other relevant factors’, determined by the responsible Minister, beyond the core factors of inflation, wage growth, restraint on employment and fiscal impact on government. Comprehensive reviews must have wider, but unspecified, consultation than the social partners and government agencies.
12. A streamlined review was scheduled for 2021. However, the continuing COVID-19 pandemic and the changing economic situation warranted a more in-depth review process, which considered additional factors beyond those required by a streamlined review and wider stakeholder consultation. This ensures that the review achieves its aim of “increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses.”²⁶
13. MBIE analysed the following core factors when assessing minimum wage rate options:
 - Inflation
 - Wage growth
 - Restraint on employment growth

²⁵ [CAB Min (12) 41-5 B refers].

²⁶ (CAB Min (12) 41/5B refers).

- Fiscal impacts on government.
14. For this year's review, the following factors were also considered:
- the relativity of the minimum wage to welfare benefits, to the average and median wages in New Zealand, in other OECD countries and to Living Wage Aotearoa's Living Wage. This is discussed in Section Four
 - the relativity to household living costs, in particular the cost of housing, and the financial needs of workers and their families. This is discussed in Sections Two, Six and Seven
 - the effects of a minimum wage increase on personal and household incomes of minimum wage workers, after tax and social transfers. This is discussed in Section Six
 - impacts on specific groups, such as Māori and Pacific people, women, and those with a disability. This is discussed in Sections Five and Seven
 - the impacts on different employers, including small, medium and large businesses, export and import reliant businesses and other employers such as charities. This is discussed in Section Eight
 - impacts on and viability of sectors that have been most significantly affected by COVID-19 and have high proportions of minimum wage workers, for example, tourism, accommodation, retail, hospitality, manufacturing. This is discussed in Sections Two and Eight
 - the proposed minimum wage level in 2024 and trajectory for increases in 2022 and 2023, assessed in comparison with household living and economic performance/measurement benchmarks.
15. The modelling and evidence used in the review aligns with previous reviews (for a range of potential rates, estimating impacts such as wage growth, disemployment effects etc), and as with previous reviews, all potential minimum wage rate options have been tested, modelled, and considered.
16. It is important to understand the impacts of relatively high minimum wage increases. The \$1.10 increase to \$20.00 in 2020 followed increases of \$1.20 that occurred in each of the subsequent two years, which are all higher than most of the minimum wage increases since 2007. MBIE's ability to estimate the impacts of larger increases carries some risk, primarily because our understanding of changes to the minimum wage is based on usually smaller 50c increases from previous years. The effects of this year's increase may be harder to estimate, compared to last year, because of the number of workers currently at or near the minimum wage (as a result of last year's increase).

Stakeholder consultation

17. This year, MBIE consulted with a similar group of stakeholders as it did last year in order to gather information on the current economic climate and to better understand the potential implications of rate changes for workers and employers. Stakeholders

included employers, worker representatives and representatives of non-governmental organisations, including charities.

18. Consultation was extended beyond MBIE's social partners (BusinessNZ and NZCTU) and core government agencies to include a wider range of employers' and employees' representatives and non-governmental organisations. The consultation focussed on gathering information to better understand the potential implications of rate changes in the current environment. A full list of the stakeholders that were consulted is attached as **Annex Three**.

MBIE's minimum wage analytical model

19. MBIE uses an analytical model to predict the impact of minimum wages on the overall wage bill, inflation and employment. The model estimates employment impacts with respect to changes in the relativity between the minimum wage and the average wage by using a range of employment elasticities derived from econometric analysis. This analysis focusses on groups that are most sensitive to changes in the minimum wage (e.g., youth, females, and Pacific people) and the employment impacts reported are the sum of the impacts on these groups.
20. The analytical framework assumes that everything else remains the same and it does not specifically deal with the economy-wide and other specific feedback effects, some of which may have a positive impact (for example, productivity, demand and fiscal effects) while others may be negative (for example, international competitiveness). The timing of the adjustment period is also simplified to be one-year.
21. MBIE is only able to estimate the direct impacts of a single minimum wage change, based on a number of assumptions about how a single change to the minimum wage will impact the labour market and wider economy. The model assesses the level of incidence of various minimum wage options across the labour market and for specific cohorts, when implemented next year, as applied to the detailed income data for this year (the latest available), which is sourced from a survey conducted by Statistics NZ only during the June quarter of each year. Modelling the employment effects of minimum wage increase beyond 2022 (the next year) is not very reliable as the level of uncertainty with the estimates rises considerably with limited data on the wage distribution and the incidence of the minimum wage in 2023 after the 2022 rate is implemented.
22. The minimum wage model used by MBIE has a medium level of confidence. It was reviewed and updated in 2018 to better predict the restraining impact of minimum wage changes on employment. More specifically, the elasticities used in the model to estimate the impact of minimum wage changes on employment have been updated using a simpler set of explanatory terms, more recent employment data, and addressing some technical issues with the earlier model.
23. However, the model contains inherent limitations in its ability to predict the effects of larger minimum wage increases than those seen during the historical period. These

include a lack of prior evidence on the effects of successive increases across multiple years, no direct evidence of the degree of pay relativity adjustments, and no consensus in the international literature on the impact of the disemployment effects of minimum wage increases.

Minimum wage's relationship to the Living Wage

24. The key purpose of the statutory minimum wage is to provide a mandatory wage floor for all employers that protects any worker, regardless of their circumstances, from unfair and exploitative low pay. It is set by the Government and is influenced by factors such as: inflation; wage growth; effects on employment growth and the other factors listed earlier in this Section. Due to its function as a wage floor, minimum wage movements can also ripple upwards to some extent, meaning that some workers earning above the minimum wage also benefit from it increasing.
25. Alongside other government interventions, minimum wages can also contribute towards providing income support for the lowest paid workers, addressing poverty, reducing wage inequality and promoting firm productivity. MBIE's view is that these should be secondary objectives because the available evidence indicates that minimum wage movements have limited utility in achieving these objectives.
26. The Living Wage, which is currently \$22.75, targets a wage rate that would enable a family of two adults and two children to maintain a reasonable standard of living when the parents work 60 hours a week in total, with one parent working full time and one part time.
27. The Living Wage is set by the Living Wage Movement Aotearoa NZ, which is an incorporated society made up of faith based religious groups, unions and community groups. Living Wage Aotearoa is independent of the Government and paying the Living Wage rate is voluntary for employers.
28. The Government has committed to implementing a minimum living wage rate for cleaners, security guards and caterers under public service contracts. Core public service departments and departmental agencies will be required to pay a 'minimum living wage rate' in relevant service contracts for these worker groups as the contracts are negotiated or renewed, starting from 1 December 2021. MBIE has published guidance and a rate based on a Labour Cost index (LCI 5, as published by Statistics NZ) that anticipates changes to the Living Wage Movement's Living Wage rate over time to facilitate requisite financial planning and contract management for relevant service contracts by agencies.

Minimum wage options considered in this review

29. Nine minimum wage options were selected to analyse and model for this review. They are shown in the Table 4 overleaf.

IN-CONFIDENCE

Option	Minimum Wage Rate	Description	Comparable economic or wage indices
1	\$20.00	Current minimum wage - Status quo	<ul style="list-style-type: none"> For comparison
2	\$20.35	Consumer Price Index – inflation (BEFU forecast)	<ul style="list-style-type: none"> CPI increase - BEFU²⁷ forecast to April 2022 (\$20.34) Household living-costs price indexes (HLPI) - lowest income quintile & all households (\$20.50)
3	\$20.60	Median hourly earnings	<ul style="list-style-type: none"> Median hourly earnings (\$20.56) Average ordinary hourly wages (All) - BEFU forecast increase (\$20.60) Labour Cost Index (Lower Skilled) (\$20.61) Rental price index – annual change in stock, year to end of September 2021 (\$20.64) Historic growth rate for the Living Wage since 2018 (\$20.69)
4	\$20.80	Average ordinary hourly wages - Lower quartile incomes	<ul style="list-style-type: none"> Average ordinary hourly wages (Lower quartile incomes) – HLFS estimate to June 2021 (\$20.78) Food price index – annual change year to end of September 2021 (\$20.80)
5	\$21.00	CPI increase – annual increase September 2021 quarter	<ul style="list-style-type: none"> CPI increase – reported annual increase to the end of September 2021 quarter (\$20.98) GDP (Production) growth rate (\$21.02)
6	\$21.25	Historic average annual increase in the minimum wage rate (since 2017)	<ul style="list-style-type: none"> Historic average annual increase in the minimum wage rate since 2017 (\$21.23)
7	\$21.40	Minimum wage growth to align with Living Wage Aotearoa’s Living Wage within 5 years	<ul style="list-style-type: none"> Rental price index – annual change in flow, year to end of September 2021 (\$21.56)
8	\$21.75	Minimum wage growth to align with Living Wage Aotearoa’s Living Wage within 3 years	<ul style="list-style-type: none"> N/A
9	\$22.75	Living Wage 2021	<ul style="list-style-type: none"> 2021/22 rate calculated and published by the Living Wage Movement Aotearoa New Zealand from 1 September 2021

30. These options are proposed for consideration by the Minister but there is no requirement that the adult minimum wage rate for 2022 should be set at any of these rates.

²⁷ Budget Economic and Fiscal Update (BEFU) - released 20 May 2021. BEFU forecasts are to the end of June for the year noted. Treasury will release its next forecasts in mid-December 2021 (Half-Year Economic and Fiscal Update (HYEFU)).

Section Two - The economic and labour market context

31. This Section provides a more comprehensive overview of the current state of the economy and labour market than is normal in a minimum wage review report.

The economic environment is still being shaped by the global COVID-19 pandemic, but New Zealand’s economy has been resilient

32. The International Monetary Fund (IMF) World Economic Outlook reported the global economic recovery is continuing, even as the pandemic resurges with the emergence of the Delta variant. It notes that supply chain constraints and disruptions for advanced economies and issues around COVID-19 containment in low-income countries are the biggest risks to recovery and growth.
33. The IMF’s October 2021 update forecasts that the global economy will grow 5.9 per cent in 2021 and 4.9 per cent in 2022 (0.1 percentage point lower for 2021 than forecast in the July 2021). Beyond 2022 global growth is projected to slow to about 3.3 per cent over the medium term.²⁸ The IMF notes that price pressures (primarily due to supply-demand mismatches) could create inflation risks, although it stresses that there is still uncertainty about these forecasts due to the continuing pandemic and the difference in vaccination rates between countries.
34. The IMF notes the uncertainty surrounding COVID-19, the state of the world’s economies, and labour markets stems from the following key factors²⁹:
- Employment growth is projected to lag the output recovery
 - Rising inflation rates are likely to create additional risks and further uncertainty
 - Slower economic recovery in emerging market and developing countries, compared to advanced economies, could result in medium-term output losses and labour market scarring that could have longer term negative effects in these countries
 - Trade growth and trade imbalances are projected to narrow over the medium-term as vaccination rates increase and tourism and other cross –border services begin to recover
35. The Organisation for Economic Co-operation and Development (OECD) noted that global gross domestic product is projected to grow by 5.7 per cent in 2021 and 4.5 per cent in 2022.³⁰ It agrees with the IMF that the *“global economic recovery remains strong, helped by government and central bank support and by progress in vaccination.*

²⁸ [World Economic Outlook, October 2021 \(imf.org\)](#)

²⁹ [World Economic Outlook, October 2021 \(imf.org\)](#)

³⁰ [Keeping The Recovery On Track | OECD Economic Outlook, Interim Report September 2021 : Keeping the Recovery on Track | OECD iLibrary \(oecd-ilibrary.org\)](#)

But although global GDP has now risen above its pre-pandemic level, the recovery remains uneven with countries emerging from the crisis facing different challenges.”³¹

36. The global downturn and domestic responses to COVID-19 have had a strong impact on New Zealand’s economy. Economic recovery has been strong mainly due to private consumption and house purchases. Risks remain though as, the recent regional lockdowns have shut down large parts of the economy, with the hospitality, tourism, and retail trade sectors continuing to be the most affected in terms of cost. The lockdown measures to address the emergence of COVID-19’s Delta variant in Auckland, Waikato and Northland in August to October 2021, with lesser restrictions on the rest of the country, have placed further pressure on businesses and workers. The impact on regions has been uneven, largely following the sectoral impacts that were seen in 2020.

Domestic economy activity is recovering from the effects of the COVID-19’s pandemic

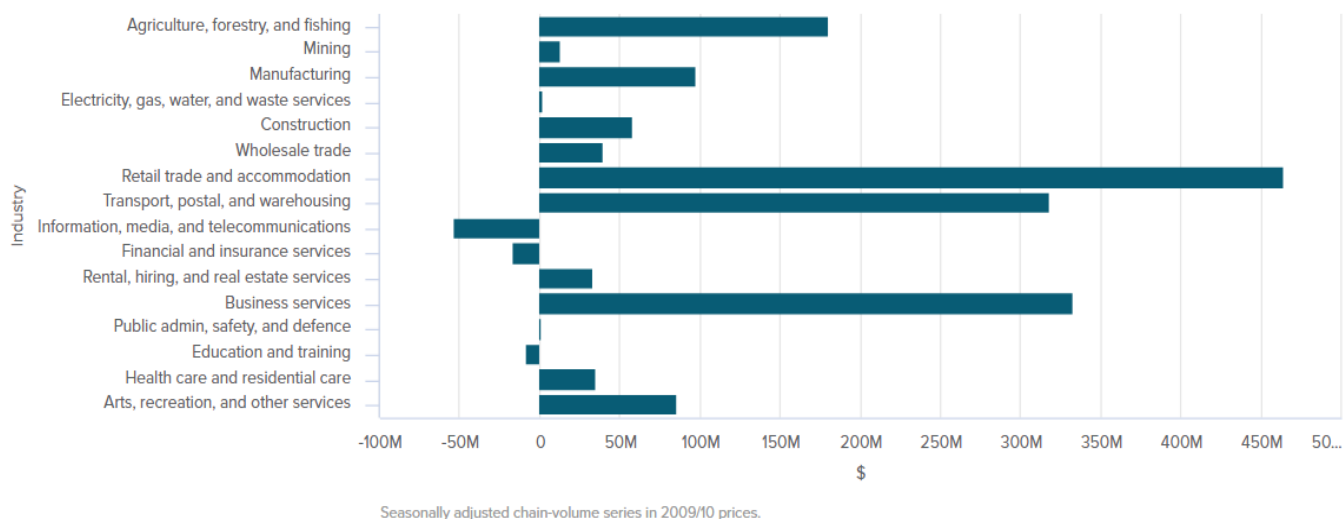
37. In the June 2021 quarter, GDP rose 2.8 percent in the June 2021 quarter following a rise of 1.4 percent in the March 2021 quarter. Average annual GDP rose 5.1 percent through the year to June 2021. In comparison, pre-COVID-19 annual GDP growth in the year to September 2019 was 2.8 per cent and 3.6 per cent in the year to September 2018. Service industries, which make up about two-thirds of the economy, rose 2.8 percent. Accommodation, restaurants, and bars showed an increase of 25.4 percent, following a March 2021 quarter rise of 0.2 percent. Business services rose 4.8 percent in the June 2021 quarter, primarily driven by an increase in scientific, architectural, and engineering services. Transport, postal, and warehousing grew by 14.0 percent, driven by higher activity in air transport and transport support services. This industry however remains significantly affected by COVID-19 related restrictions on travel and disruptions to transport activity, and is 7.0 percent lower than the December 2019 quarter.
38. Goods producing industries, which make up about one-fifth of the economy, rose 1.3 percent in the June 2021 quarter, following an increase of 1.7 percent in the March 2021 quarter. Manufacturing saw a 1.6 percent increase, driven by growth in food, beverage, and tobacco manufacturing; and petroleum, chemical, plastic, and rubber product manufacturing. Construction activity grew by 1.3 percent, following a 4.0 percent rise in the March 2021 quarter mainly driven by construction services and residential building construction. Economic activity in the primary industries rose 5.0 percent in the quarter, following a rise of 1.2 percent in the March 2021 quarter.³² GDP per capita rose 2.6 per cent, real disposable national income rose 3.4 per cent, and the annual GDP in the year to June 2020 increased by 5.1 per cent.³³

³¹ [OECD Economic Outlook](#), September 2021

³² StatisticsNZ, [Gross domestic product: June 2021 quarter – corrected | Stats NZ](#)

³³ StatisticsNZ, [Gross domestic product: June 2021 quarter – corrected | Stats NZ](#)

Figure 5: Gross domestic product by industry – Change from March 2021 to June 2021 quarters (Source: Statistics NZ)

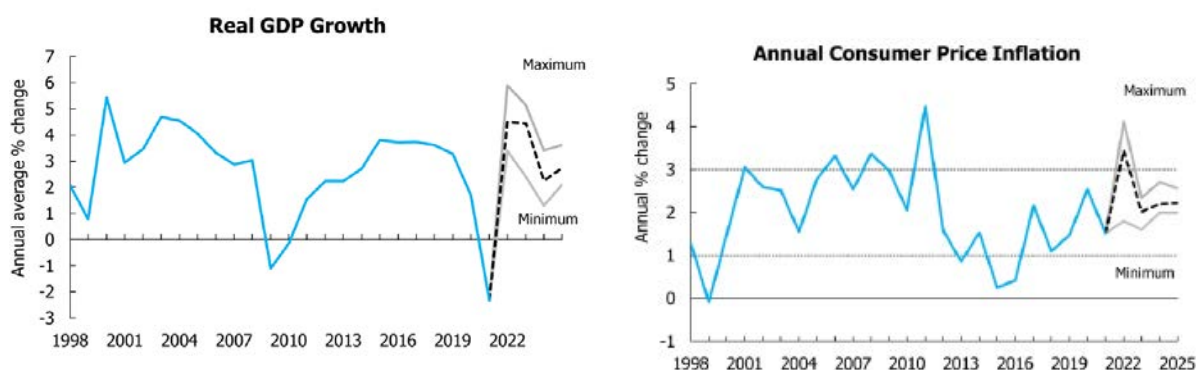


39. Looking forward, the latest Consensus Forecasts published by The New Zealand Institute of Economic Research (NZIER) show a slightly more pessimistic view of the economy than in the June survey, reflecting the uncertainty arising from the Delta outbreak.³⁴ Annual GDP growth is forecast to be 4.5 per cent to March 2022 (down from 5.0 per cent in the June 2021 survey) and remaining stable through to 2023 (up from 3.7 per cent) before falling to 2.3 per cent in 2024 (down from 2.6 per cent).
40. The annual change in the Consumer Price Index (CPI) was 4.9 per cent in the year ending September 2021, which was higher than market expectations (4.5 per cent). This increased from 3.3 per cent in the year ending June 2021 and 1.5 per cent in the year to March 2021. The upward price pressures in the September quarter has come from purchase of new housing (up 4.5 per cent), property rates (up 7.1 per cent), petrol (6.5 per cent), food (up 2.7 per cent) and rent prices (0.7 per cent). Annually, housing and households’ utility prices rose 6 per cent (including rents, up 3.2 per cent), home ownership was up by 12 per cent, transport costs rose 13 per cent and food prices increased 3 per cent. In response, to maintain lower inflation levels and support maximum sustainable employment, the Reserve Bank raised the Official Cash Rate (OCR) to 0.50 per cent, the first increase in seven years.
41. Treasury’s BEFU forecast CPI inflation of 2.4 per cent in the year ending June 2021, dropping to 1.7 per cent in the year to June 2022, rising to 1.8 per cent in the year to June 2023, and increasing further to 2.0 per cent in the year to June 2024. Both the ANZ Bank and NZIER agree that there are inflationary pressures present in the economy, mainly due to strong core inflation, labour shortages and supply chain disruptions, but these pressures are likely to ease in the next year. The unwinding of these cost pressures, alongside the RBNZ increasing the OCR, is likely to contain rising inflation. ANZ Bank forecasts inflation levels of 2.3 per cent to June 2022 and 2.0 per cent to June 2023. NZIER’s Consensus Forecasts indicate that CPI inflation would be 3.5

³⁴ NZIER, [Consensus forecasts sep 2021.pdf \(nzier.org.nz\)](https://www.nzier.org.nz/consensus-forecasts-sep-2021.pdf)

per cent in the year ending March 2022 before reducing to 2.0 in the year to March 2023 and 2.2 per cent in 2024 as shown in the figures below.³⁵

Figures 6 and 7: Historic and forecast real GDP growth and annual CPI change (NZIER Consensus Forecasts, September 2021)



Sources: NZIER, Statistics NZ

42. After three years of strong hourly wage growth (4.4 per cent in 2019, 3.0 per cent in 2020 and 2.8 per cent in 2021), Treasury forecasts this trend to continue with 3.0 per cent wage growth in the year to June 2022, 2.4 per cent in 2023 and 2.8 per cent in 2024. NZIER considers that the labour shortages and tight border restrictions will drive wages up further forecasting average hourly wages in the private sector to increase by 3.7 per cent in 2022, 3.8 per cent in 2023 and 3.6 per cent in 2024.

The labour market is recovering, but with big industry differences

43. In the year to September 2021, New Zealand’s annual unemployment rate fell from 5.3 per cent to 3.4 per cent. During this period, 35,000 workers moved into the workforce from being not in the labour force (NILF).³⁶
44. The underutilisation rate dropped from 13.2 per cent in September 2020 to 9.2 per cent in the September 2021 quarter. The lower underutilisation rate over the year is driven by large decreases in the number of underemployed people (down 30.0 per cent or 36,000 more people), i.e., part-time workers looking for more work hours, and in the number of available potential jobseekers (down 31.2 per cent or 27,600 fewer people).
45. All other key employment indicators improved in the year September 2021, with a 4.3 per cent increase in the total number of people employed, a 4.1 per cent increase in the number of filled jobs, a 2.8 per cent reduction in people not in the labour force. The recent lockdowns have shown up in the number of hours worked in the September 2021 quarter (down 6.6 per cent), even though the paid hours (up 1.2 per cent) increased. The table overleaf summarises these key indicators.

³⁵ NZIER, [Consensus forecasts sep 2021.pdf \(nzier.org.nz\)](#)

³⁶ Statistics NZ [Labour market statistics: September 2021 quarter | Stats NZ](#)

Table 5: Key labour market indicators by quarter (Sept. 2020 to Sept. 2021)

Labour market indicators (Percentage change from previous quarter shown in brackets)	Sept 2020 quarter	Dec 2020 quarter	Mar 2021 quarter	Jun 2021 quarter	Sept 2021 quarter	Annual change to Sept 2021
Total number of people employed (seasonally adjusted)	2,714,000 (-0.7%)	2,732,000 (+0.7%)	2,747,000 (+0.5%)	2,775,000 (+1.0%)	2,830,000 (+2.0%)	+116,000 (+4.3%)
People not in labour force	1,220,000 (-0.5%)	1,217,000 (-0.2%)	1,213,000 (-0.3%)	1,211,000 (-0.2%)	1,185,000 (-2.1%)	-35,000 (-2.9%)
Filled jobs (seasonally adjusted)	1,980,200 (-0.1%)	2,006,600 (+1.3%)	2,005,400 (-0.1%)	2,029,800 (+1.2%)	2,058,600 (+1.4%)	+78,300 (+4.1%)
Total number of people unemployed	151,000 (+30.2%)	139,000 (-7.9%)	133,000 (-4.3%)	116,000 (-12.8%)	98,000 (-15.5%)	-53,000 (-35.1%)
Labour force participation	70.1%	70.2%	70.4%	70.5%	70.1%	0.0%
Employment rate	66.4%	66.8%	67.1%	67.6%	68.8%	+2.4%
Unemployment rate	5.3%	4.9%	4.7%	4.0%	3.4%	-1.9%
Underutilisation rate	13.2%	11.9%	12.2%	10.5%	9.2%	-4.0%
Youth not in employment, education, or training (NEET, 15-24 years)	11.9%	13.0%	14.3%	10.8%	11.0%	-0.9%
Hours worked – total weekly average per quarter (seas. adj.)	91,439,000 (+9.2%)	95,309,000 (+4.2%)	93,022,000 (-2.4%)	94,517,000 (+1.6%)	88,261,000 (-6.6%)	-3,178,000 (-3.5%)
Hours paid – total weekly hours paid average per quarter (seas. adj.)	65,300,000 (+2.2%)	66,800,000 (+2.2%)	66,900,000 (+0.2%)	68,900,000 (+3.1%)	69,800,000 (+1.2%)	-4,500,000 (+6.9%)

46. Median hourly wages grew by 2.8 per cent in the year to June 2021 to \$27.76 per hour. Average ordinary time hourly earnings increased to \$35.25 over the year (up 3.5 per cent) and average weekly earnings increased to \$1,367 for full-time equivalent employees over the year (up 9.1 per cent).
47. The labour cost index (LCI) for all salary and wage rates (including overtime) increased 2.4 percent in the year to the September 2021, while the unadjusted LCI increased 3.8 percent. Private sector wages increased by 2.5 percent over the year while public sector wages increased by 1.9 percent over the year. In comparison, annual CPI and HLPI inflation were 4.9 and 1.8 percent, respectively, in the year to the September 2021.
48. 42 per cent of all wage and salary earners did not receive any ordinary time wage increase in the year to September 2020. This was lower than the previous four quarters where 46 per cent (in the year to June 2021), 53 per cent (March 2021), 55 per cent (December 2020) and 51 per cent (September 2020) of wage and salary earners did not receive and increase in the previous year. The long run quarterly average since September 2012 is that 44.6 per cent of workers generally do not receive a wage increase during the previous calendar year. 18 per cent of workers received a

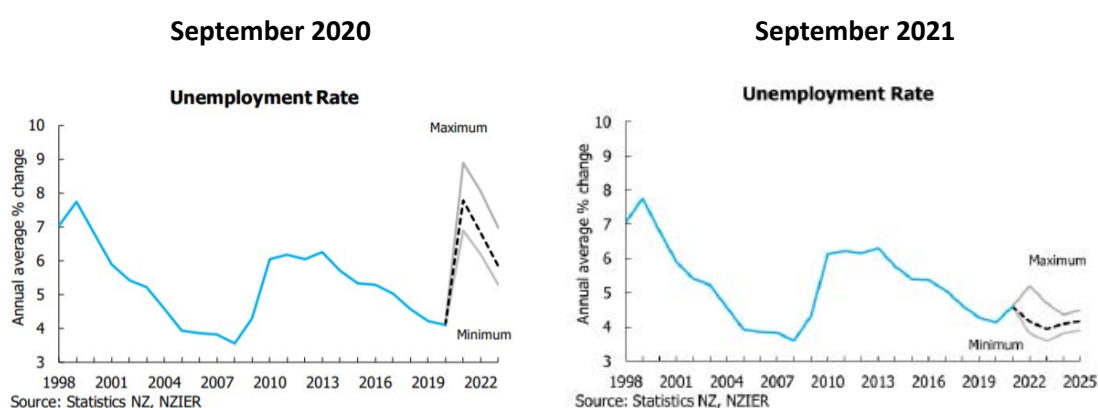
wage increase of 5 per cent or more, the highest proportion since 2012 and another 13 per cent received an increase of between 3 and 5 per cent.

- 49. Treasury forecasts average ordinary hourly wage growth of 3.0 per cent in the year to June 2022 followed by 2.4 per cent and 2.8 per cent rise in 2023 and 2024 respectively.

The unemployment rate has been less affected than anticipated

- 50. Statistics NZ’s unemployment figures for the September 2021 quarter noted above are significantly lower than previous forecast and show a downward trend. The labour market is very tight, exacerbated the closed border limiting the number of workers able to migrate into the country.
- 51. Treasury’s 2021 BEFU revised its forecasts for unemployment downward considerably from the December 2020 PREFU. It forecast unemployment could rise to 5.2 per cent (down from 7.7 per cent 2020 PREFU forecast for the June 2021 quarter), before dropping to 5.0 per cent in the June 2022 quarter (7.8 per cent, 2020 PREFU) and slowly falling to 4.4 (5.3 per cent 2020 PREFU) in the June 2023 quarter and then to 4.2 per cent by June 2024.³⁷ NZIER’s Consensus Forecasts in September 2021 indicate unemployment could fall to 4.2 per cent in the year to March 2022, dropping to 3.9 per cent in 2023 before rising slightly to 4.2 per cent in 2023.³⁸ Due to the considerable differences between forecasts and reported figures, it is likely that the latest unemployment figures will result in these forecasts being revised down further in the next updates of both the Treasury and NZIER. The comparison below highlights the uncertainty and volatility in the economic and labour market conditions and the additional difficulty of forecasting them.

Figures 8 and 9: Comparison of unemployment rate forecasts between 2020 and 2021



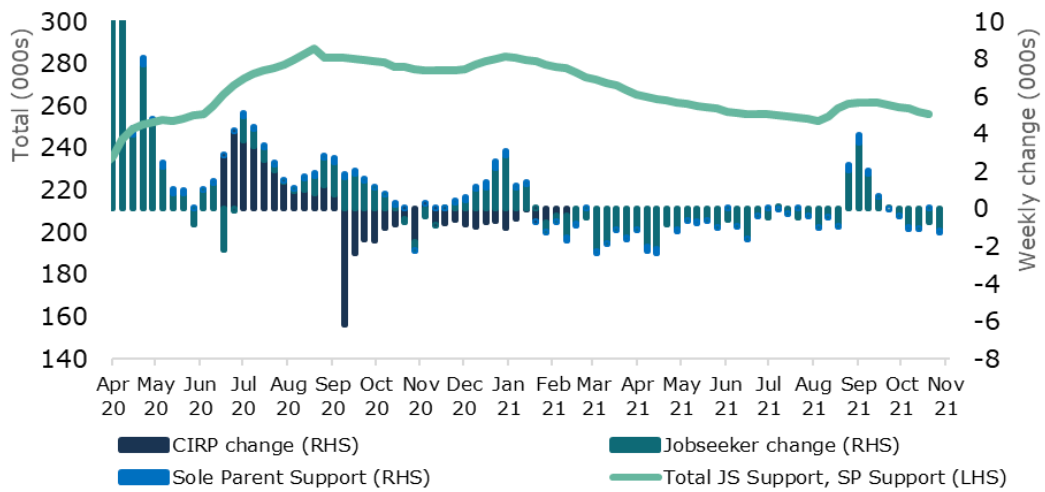
- 52. The number of people receiving Jobseeker Support income assistance through the welfare system has fallen by 5.1 per cent in the year to September 2021 to 193,635 with most of the decrease coming from a reduction in the number of work ready people receiving support (down 15.6 per cent).³⁹

³⁷ [Budget Economic and Fiscal Update 2021 \(treasury.govt.nz\)](https://www.treasury.govt.nz/budget-economic-and-fiscal-update-2021)

³⁸ NZIER, [Consensus forecasts sep 2021.pdf \(nzier.org.nz\)](https://www.nzier.org.nz/consensus-forecasts-sep-2021.pdf)

³⁹ [benefit-fact-sheets-snapshot-september-2021.pdf \(msd.govt.nz\)](https://www.msd.govt.nz/benefit-fact-sheets-snapshot-september-2021.pdf)

Figure 10: Income support receipt – total and weekly change (from MSD data)



Some sectors, however, have been slower to recover than others

53. Most industries and regions have seen filled job growth over last 2 years although five industries have accounted for 80 per cent of net job growth over last year. The impact of COVID-19 keeps changing, by industry and region, over time with simultaneous job contraction and growth in some sectors and skills shortages in others.,

Figure 11: Wage and job growth by industry (year to September 2021)



54. Many sectors that were severely affected by the COVID-19 pandemic in 2020 continue to struggle with the current restrictions in Auckland. Retail trade, accommodation and food service, transport, information/media and professional/scientific/technical are amongst the hardest hit.

55. However, employment (HLFS) and filled job (MEI) data suggest very different stories of growth or contraction at an industry level. Self employment is not included in MEI, but a change in self employment is key part of adjustment process (especially in sectors like construction, agriculture, manufacturing and retail). Some of this could reflect timing differences as the MEI measures jobs at a point in time while the HLFS is sampled over a quarter with the HLFS being the more timely measure of self employment.
56. Skill mismatches are varied both across and within industries. Previously, firms have preferred to fill gaps with experienced overseas workers; and specific skills in the domestic market are limited, such as IT and carpentry. However, with the borders closed, firms are now having to find workers in the domestic workforce, which is becoming more difficult as the labour market continues to tighten.
57. MBIE considers that much of the mismatch for suitable work could relate to location barriers, having different skillsets than required, and the hiring intentions of employers (for example some firms may be holding out for more certainty before hiring). We note that firms are yet to adjust wages to meet the high labour demand. We expected a higher increase in wages, with firms attempting to attract and retain workers to address their labour shortages in a tight labour market.
58. For information on the number of workers on the minimum wage in each sector, refer to Table 15 in Section Eight.

The rising housing market's effect on household costs

59. Statistics NZ publication *Housing in Aotearoa 2020*⁴⁰ noted that housing costs – rent, mortgage payments, rates, and insurance – are a significant part of expenditure for many households and renting households (non-owner-occupied) generally spent a higher proportion of their income on housing costs than owner-occupiers in 2018. Figure 24 (on page 56 of this report) shows, since June 2008 to the end of September 2021, property related expenses have far exceeded the increase in CPI, which has risen 25.2 per cent, with insurance (up 113.8 per cent), property rates (up 79.0 per cent), household energy (up 39.3 per cent) and rents (up 35.2 per cent) the main contributors.
60. The report also noted that the proportion of renting households that spent more than 30 percent of income on housing costs increased rapidly from less than 20 percent of renters in 1988 to over 40 percent in 2019. Regionally, Auckland households face the greatest housing costs burden of any region – with median equivalised income after housing costs in the year to June 2019 at \$30,100. Statistics NZ's report notes that sole parents, recent migrants, Pacific peoples, Māori, low income earners, non-owner-occupiers, Aucklanders, the unemployed, disabled people, and those with no qualifications, were the most likely to rate their housing as unaffordable.

⁴⁰ Statistics NZ, [Housing in Aotearoa: 2020 \(stats.govt.nz\)](https://stats.govt.nz), Updated August 2021

61. House prices have also been rising in New Zealand at a faster rate than wages over the past five years, particularly in the past year. In October 2021, Corelogic reported that property values in all national and provincial centres have had annual changes of over 20 per cent as shown in the tables overleaf.

Figure 12: Changes in property values (year to September 2021)

National and Main Centres

	Change in property values			Average Value
	Month	Quarter	Annual	
New Zealand	2.1%	5.2%	28.8%	\$970,174
Auckland	2.6%	5.4%	26.3%	\$1,381,456
Hamilton	3.7%	5.9%	31.5%	\$853,407
Tauranga	4.3%	9.7%	35.8%	\$1,091,420
Wellington	1.9%	6.1%	36.1%	\$1,103,600
Christchurch	4.1%	7.6%	31.9%	\$693,864
Dunedin	1.6%	2.8%	23.2%	\$683,060

Provincial Centres

TA	Change in property values			Average Value
	Month	Quarter	Annual	
Rotorua	1.6%	2.5%	21.7%	\$666,596
Nelson	2.7%	5.0%	22.7%	\$828,862
New Plymouth	-1.6%	3.4%	24.4%	\$663,244
Invercargill	1.7%	3.7%	25.2%	\$453,605
Whangarei	3.3%	4.8%	28.4%	\$767,378
Gisborne	3.6%	4.3%	29.8%	\$616,498
Queenstown	2.5%	10.2%	32.7%	\$1,526,602
Porirua	1.0%	5.3%	33.4%	\$981,854
Upper Hutt	0.9%	3.4%	33.9%	\$901,921
Palmerston North	0.6%	2.6%	35.3%	\$732,574
Lower Hutt	2.7%	7.1%	39.0%	\$988,275
Kapiti Coast	1.7%	5.9%	39.3%	\$964,383
Napier	2.8%	6.4%	39.4%	\$867,869
Whanganui	1.0%	1.5%	39.7%	\$528,389
Hastings	1.3%	7.0%	41.9%	\$854,177

Source: Corelogic New Zealand, [Temporary boost to prices likely to be short-lived \(corelogic.co.nz\)](https://www.corelogic.co.nz/news/property-values-boost-likely-to-be-short-lived), 1 October 2021

62. CoreLogic NZ's Housing Affordability Report (September 2021)⁴¹ shows that, as of the end of June 2021, the average property value across New Zealand is 7.9 times the average annual household income, a record high in the series' 18-year history. The figure is higher than the 7.4 times recorded in the March quarter and 6.6 times of 12 months ago. The long-term average is for property values to be 5.8 times the average annual household income. This suggests that home ownership is becoming less attainable for many low-income households.
63. While increasing house prices do not directly affect many people on the minimum wage, who are unlikely to own their homes, high house prices can be passed on to these workers through higher rents as investors seek to increase yield and recover some of their purchase and mortgage interest costs.
64. Statistics NZ's annual rental price indexes, which measure the changes in prices that households pay for housing rentals, for the stock measure of rental property prices increased by 3.2 per cent whereas the flow measure increased 7.8 per cent.⁴² The

⁴¹ Corelogic Housing Affordability Report 2021, [New Zealand housing affordability declines again as property values grow 15 times faster than incomes \(corelogic.co.nz\)](https://www.corelogic.co.nz/news/new-zealand-housing-affordability-declines-again-as-property-values-grow-15-times-faster-than-incomes)

⁴² Rental price indexes measure the changes in prices that households pay for housing rentals and are calculated by Statistics NZ. The flow measure of rents captures rental price changes only for dwellings that have a new tenancy

annual change in the year to September 2020 were 3.3 per cent (stock) and 0.7 per cent (flow) and, for 2019, 3.4 per cent (stock) and 4.1 per cent (flow). This indicates that the rent prices of new tenancies started in the last year are increasing at a higher rate than in recent years.

65. The number of people receiving the Accommodation Supplement in the year to September 2021 decreased by 2.4 per cent to 357,369, which is likely to reflect that more people are in paid work and require less government assistance for housing than in previous years.⁴³

The Government's goals and actions continue to focus on managing the spread of COVID-19 and the economic recovery

66. In Budget 2021, the Government outlined that its immediate focus is to keep New Zealanders safe from COVID-19, protect jobs, livelihoods, and strengthen the economy.
67. The Government intends to accelerate the recovery, reset and rebuild the economy to lay the foundations for a better future. In relation to the labour market, this includes providing training and job creation opportunities to support workers and businesses and growing the incomes and wages of New Zealanders, especially those earning the least.
68. Increasing the minimum wage supports this objective and has already raised it to \$20 per hour in 2021, as well as extending workers' sick leave provisions and Living Wage guarantees to cleaning, catering and security workers who the public service pays through contractors. The Government also intends to implement Fair Pay Agreements to set minimum standards for pay and conditions within this term.
69. Beyond this, the Government has indicated it intends to deliver its wider priorities, outlined in Budget 2021, including:
- Driving New Zealand's economic recovery through investment in business, infrastructure, and tourism support
 - Supporting the long-term wellbeing of New Zealanders by making progress in the areas of child wellbeing, housing, and climate change.
 - Investing in strong public services and essential reforms to address pressing issues Aotearoa New Zealand is facing, and
 - Working in partnership with Māori as Treaty partners and with Pacific People to achieve their aspirations and ensure long-lasting equitable outcomes

started in the reference month. It tends to be more volatile than the stock measure, which shows rental price changes across the whole rental population, including renters currently in tenancies.

⁴³ MSD Benefit Fact Sheets, September 2021, [benefit-fact-sheets-snapshot-september-2021.pdf \(msd.govt.nz\)](https://www.msd.govt.nz/benefit-fact-sheets-snapshot-september-2021.pdf)

Further resurgences of COVID-19 in the community could slow economic recovery

70. Extended border controls and the spread of the COVID-19 Delta variant in the community are still key risks for the labour market forecasts. Extended border controls scenario, weaker travel demand, the tight labour market, supply chain disruptions and continuing uncertainty are likely to constrain economic output and increase prices. Ongoing lockdowns, even regionally, increase the risk of business failures, further increase uncertainty and reduce business and household spending.
71. MBIE's view is that continuing lockdowns could exacerbate the negative employment effects of a minimum wage increase would be worse than for the options presented in this report.

Section Three - The business perspective and outlook

72. In February 2021, New Zealand had 562,520 enterprises⁴⁴ (up 0.5 per cent from February 2020), of which 162,033 had 2.31 million paid employees (down 0.4 per cent). 5,840 enterprises employed 50 or more employees (down 2.9 per cent) and 145,635 (89.9 per cent) employed less than 20 people.

Business confidence is higher than earlier in 2021

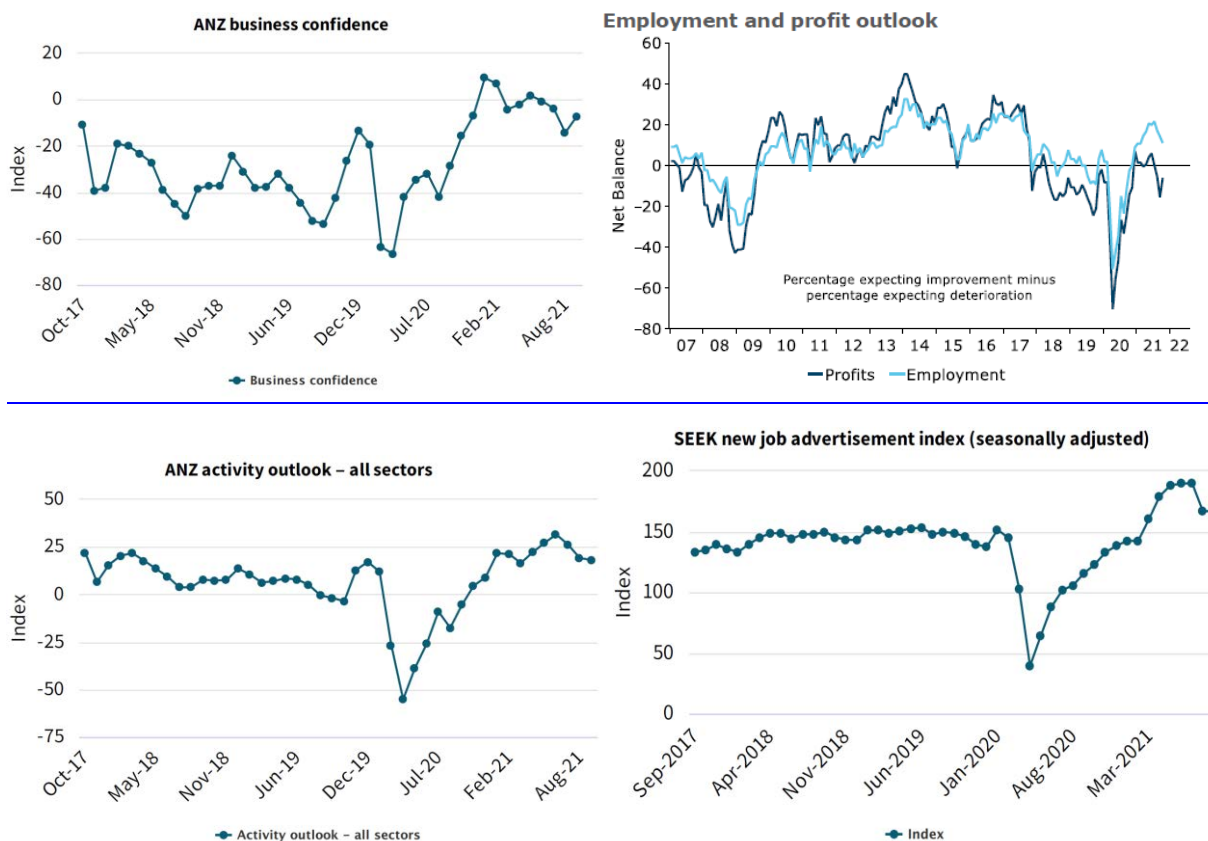
73. NZIER has identified that a net 8 per cent of businesses surveyed reported a decline in general economic conditions even though 29 per cent reported an increase in trading activity over the June 2020 quarter.
74. October's ANZ Business Confidence Index for New Zealand is becoming more negative but dropping to -13.4 in October 2021, down from -7.2 in September 2021 and up from -14.5 in August. Medium-term indicators are positive, activity outlook is more robust (21.7 vs 18.2 in September), export intentions (8.6 vs 7.4), and investment intentions (13.8 vs 9.2) are all strengthened and considerably better than last year. Profit expectations (-6.2 vs -15.6) lifted but were still negative while employment intentions (10.9 vs 14.1) dropped overall. Business pricing intentions increased faster (65.5 vs 58.1), particularly in retail (82.7) and manufacturing (79.4) indicating that business consider that the economy could cope with good and services prices rising, that could increase inflationary pressure.⁴⁵
75. National job advertisements increased in the year to September 2021 after the significant reduction in activity last year. Sectors showing the greatest improvement in job ad numbers from Q3 2020 to Q3 2021 were Administration and Office Support (65 per cent), Information and Communication Technology (62 per cent), Manufacturing and Transport & Logistics (47 per cent), Construction (46 per cent) AND Healthcare and Medical (46 per cent) . Hospitality and Tourism is still struggling with job ads for this sector reducing by 7 per cent on last years volumes.⁴⁶

⁴⁴ An **enterprise** is an institutional unit and generally corresponds to legal entities operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation, or self-employed individual. Statistics NZ business demography data identifies economically significant enterprises, which are mostly those with GST turnover greater than \$30,000 per year.

⁴⁵ ANZ New Zealand Business Confidence Outlook, 27 October 2021

⁴⁶ SEEK NZ Employment Report, October 2021, <https://www.seek.co.nz/about/news/seek-nz-q3>

Figures 13 to 16: Key business confidence and activity outlook indicators



Source: Statistics NZ, ANZ Business Confidence Outlook

The current lockdowns and cost pressures are having an effect on businesses, especially in Auckland and Northland

76. While business confidence is generally higher, credit bureau Centrix noted in its September 2021 Outlook report⁴⁷, that company credit defaults have continued to rise in the September quarter, increasing by 13 per cent. In comparison to 2019 (pre-COVID-19), the sectors with the highest change in credit default listings were rental property services (up almost 50 per cent); Accommodation/Food services (up around 47 per cent); Transport (up around 35 per cent); Construction and Financial Services (both up around 25 per cent).
77. Centrix suggests that the increases likely reflect the ongoing travel restrictions impacting cashflow. Its October 2021 report⁴⁸ focussed on Auckland and Northland businesses recording higher levels of debt stress compared to the rest of New Zealand, with business credit defaults at 18 per cent in Auckland and 12 per cent in Whangārei. It noted that new business registrations were down 13 per cent in October, while business credit defaults rose 3per cent month-on-month.

⁴⁷ [Centrix-Credit-Indicator-Outlook-Report-September-2021.pdf](#)

⁴⁸ [Centrix-Credit-Indicator-Outlook-Report-October-2021.pdf](#)

78. In August 2021⁴⁹, Centrix noted that there had been an increase in company closures in the three months to June 2021 as credit defaults rose 11 per cent over the last quarter. The report noted that business liquidations were also down 34 per cent year-on-year, suggesting the closures were voluntary. This view is supported by comments made by employer representatives during our consultation.
79. Small-medium enterprises are being particularly affected by the current lockdowns and uncertainty. MYOB's SME Economic Snapshot in September 2021⁵⁰ – a survey of 500 SME business owners and decision-makers – found almost half (48 per cent) of those surveyed reported their revenue is now down on a year ago – compared to just over a third (34 per cent) in July 2021. Auckland fared worse, with 57 per cent of businesses in the region seeing their annual revenue fall. Nationwide, retail businesses have also been hit hard, with 60 per cent reporting a decline in revenue.
80. Looking forward to 2022, just under a third (31 per cent) of SMEs believe their revenue will be down in 12 months' time, while almost a quarter (24 per cent) are forecasting increased revenue and 36 per cent expect their revenue will be about the same. Almost half (49 per cent) intend to increase prices with 32 per cent noting that increases in the minimum wage was a factor in this decision.

⁴⁹ [Centrix-Credit-Indicator-Outlook-Report-August-2021.pdf](#)

⁵⁰ MYOB, 2021 [Latest restrictions take heavy toll on SME confidence \(myob.com\)](#)

Section Four - Current and historical minimum wage

The current minimum wage rates and their coverage

81. The current minimum wage rates prescribed in the Minimum Wage Order 2021 are set out below:
 - the adult minimum wage rate is \$20.00 per hour
 - the starting-out minimum wage rate is \$16.00 per hour
 - the training minimum wage rate is \$16.00 per hour.
82. The adult minimum wage rate applies to all employees aged 16 years and over, unless they are eligible for the starting-out wage or training wage.
83. The starting-out wage was introduced in May 2013. Its purpose is to support more young people entering the workforce and gaining the education and training they need for work. The Act provides that the starting-out wage rate must be set at no less than 80 per cent of the adult minimum wage rate and is currently set at this level. The Act allows the Order to prescribe one or more classes of worker to whom this rate applies, with certain factors where those workers are aged between 16-19 years and are not involved in supervising or training other workers. As such the Order sets out the following categories to which the starting-out wage applies:
 - aged 16 or 17 years who have not completed six months continuous employment with their current employer; or
 - aged 18 or 19 years who have been continuously paid one or more specified social security benefits for not less than six months, and have not completed six months continuous employment with any employer; or
 - aged 16, 17, 18, or 19 years who are required by their employment agreement to undertake at least 40 credits a year of an industry training programme to become qualified for the occupation in which they are employed.
84. The training minimum wage rate applies to a trainee who is aged 20 years or over, is not involved in supervising or training other workers, and is required by their employment agreement to undertake at least 60 credits each year of an industry training programme to become qualified for the occupation in which they are employed.
85. An estimated 160,600 workers aged 16 to 64 were paid the minimum wage in 2021, which is approximately 7.8 per cent of all wage earners in paid employment. The total percentage of minimum wage earners in 2021 has increased from 3.5 per cent in 2018

(71,500), from 4.2 per cent in 2019 (85,400) and from 3.0 per cent in 2020 (57,700)⁵¹, which is to be expected as the minimum wage moves closer to the median wage.

86. Women make up 45 per cent of all minimum wage earners, which is lower than last year (56 per cent), with part-time workers (49 per cent) and young people (51 per cent) making up the next largest groups. Māori represent 20 per cent of minimum wage earners and Pacific People 10 per cent, which are higher than their respective proportions in the overall number of wage and salary earners. This indicates that Māori and Pacific People currently represent a disproportionate number of minimum wage workers relative to the wider labour market. In previous years the percentage of Māori and Pacific People minimum wage earners has been similar to their percentage representation in the wider workforce, at around 15 and 9 per cent respectively. This suggests that Māori and Pacific People could be disproportionately affected by a minimum wage increase. The proportion of European/Pākehā minimum wage earners (59 per cent) is also higher than their representation in the wider wage and salary workforce (49 per cent). In the last few years this percentage has been reversed.
87. The significant increases in representation for all these groups suggests that, as the minimum wage rate is increasing faster than the median wage, the income distribution is becoming more compressed. This means that people who are classified as New Zealand's lowest paid workers are not paid substantially less than those classified as middle-income workers, who earn around the median wage. So, a larger minimum wage increase is now likely to capture more workers overall, who are in a broader range of demographics, than has been the case in the past. Individuals without formal qualifications, disabled workers, and refugees or migrants are also more likely to be paid the minimum wage than other groups of workers. These workers are more likely to work in retail and hospitality industries.
88. For more detailed information on the demographic and job characteristics of workers paid the minimum wage, refer to Table 14 of Section Seven of this report.

The minimum wage compared with other income benchmarks

89. The ratio of the minimum wage and a country's median wage (the Kaitz index) is a widely used measure of how much the minimum wage affects the wage distribution. The median wage is used as a more neutral measure of tendency and a "*better point of reference*"⁵² because the median is not affected either by changes in the minimum wage or movement at the top of the wage distribution. This means that changes in median are more reflective of the broader economic situation. The average wage is

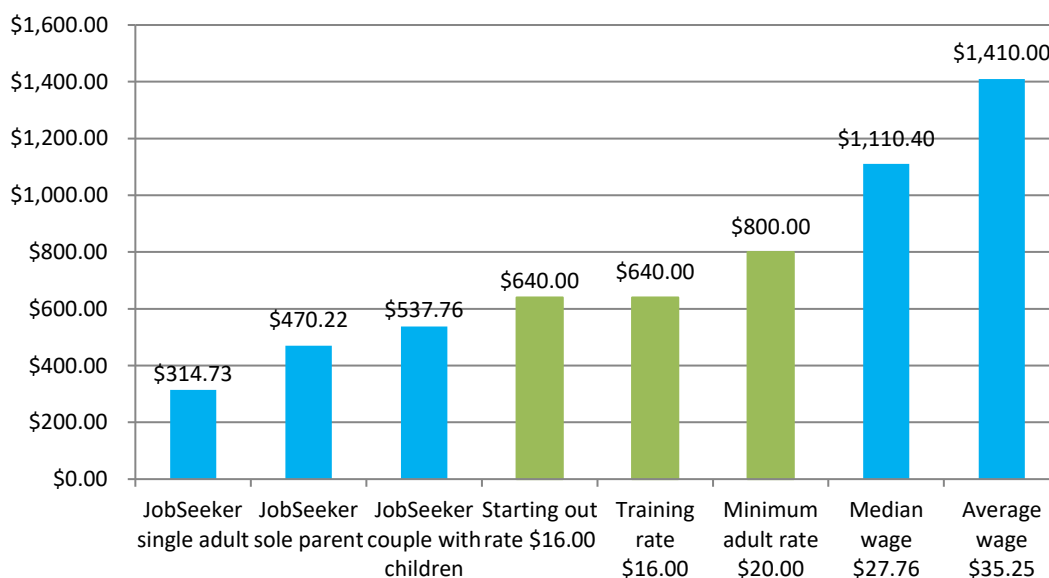
⁵¹ The advent of COVID-19 in March-April 2020 and the availability of wage subsidies for employers to keep paying their workers who were not working meant that the income data for June 2020 quarter was atypical and had an unusually lower count of non-zero salary and wage earners. The data excluded employees reporting zero hours worked in the Household Labour Force Survey due to receiving a wage subsidy during June 2020 quarter, which MBIE estimated to be around 96,000 workers. This resulted in a snapshot of the income profile of the labour market captured in the June 2020 quarter less representative of the whole of 2020.

⁵² International Labour Organisation, *Minimum Wage Policy Guide*, Chapter 5.5

affected by extreme salaries or wages at either end of the wage distribution with changes in the average primarily reflecting movements in high-earner incomes.

90. The current adult minimum wage rate of \$20.00 per hour is approximately 72.1 per cent of the median wage (\$27.76 per hour) and 57.5 per cent of the average wage (\$34.76 per hour)⁵³. A comparison of New Zealand’s Kaitz index with international jurisdictions is provided in Section Five.
91. Compared with other income benchmarks, the current weekly adult minimum wage is significantly higher than the JobSeeker Support rates for single adults (\$314.73, 39.3 per cent of the minimum wage) and for sole parents (\$470.22, 58.8 per cent). Figure 20 below compares the minimum wage rates with other income benchmarks, all calculated as weekly income for a 40-hour week before tax.

Figure 17: Weekly gross income from minimum wages and other income benchmarks



Changes to the minimum wage over the past 10 years

92. Since 2000, the minimum wage rate has increased every year following the annual review. Changes in the hourly rates since 2011 are shown below.

Table 6: Changes to the minimum wage rates since 2011

Effective Date	Adult Minimum Wage	Starting out and Training wages	Per Cent Change (Adult Minimum Wage)
1 April 2011	\$13.00	\$10.40	2.0%
1 April 2012	\$13.50	\$10.80	3.8%
1 April 2013	\$13.75	\$11.00	1.9%

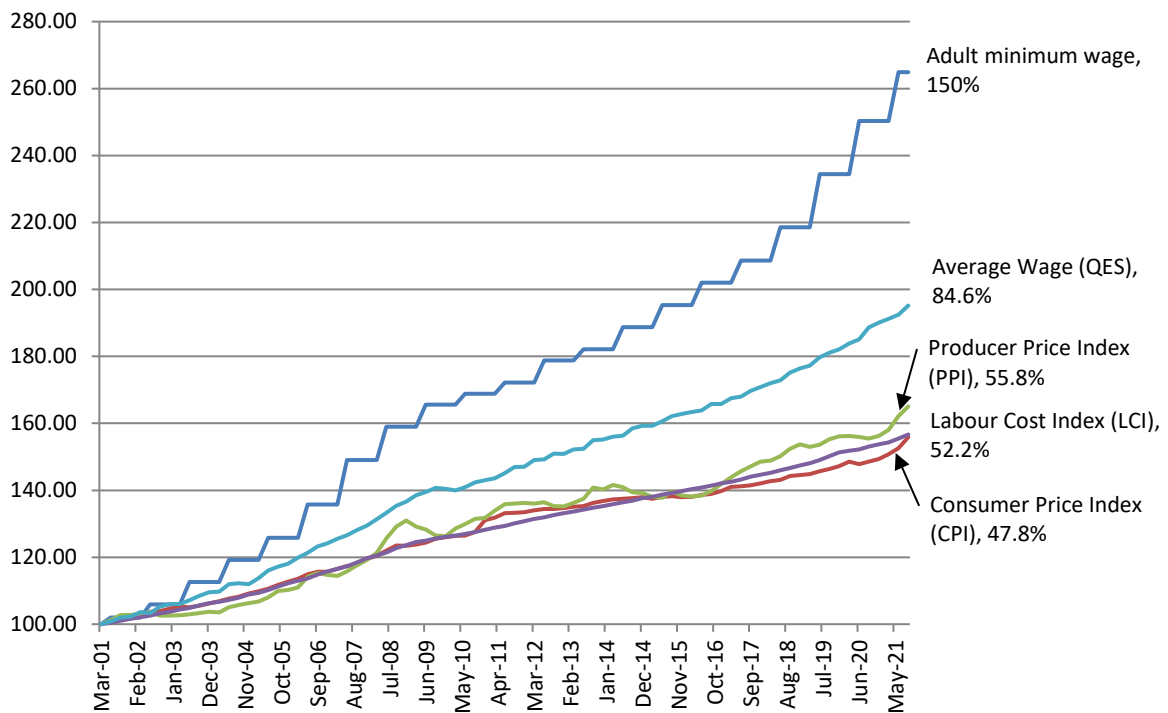
⁵³ Statistics NZ, [Labour market statistics \(income\): June 2021 quarter | Stats NZ](#)

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1 April 2014	\$14.25	\$11.40	3.6%
1 April 2015	\$14.75	\$11.80	3.5%
1 April 2016	\$15.25	\$12.20	3.4%
1 April 2017	\$15.75	\$12.60	3.2%
1 April 2018	\$16.50	\$13.20	4.8%
1 April 2019	\$17.70	\$14.16	7.3%
1 April 2020	\$18.90	\$15.12	6.8%
1 April 2021	\$20.00	\$16.00	5.8%

93. When compared to inflation and other cost measures, the minimum wage rate has increased at a faster rate than general wages, labour costs, and consumer prices over the past 20 years, as shown overleaf in Figure 21.

Figure 18: The minimum wage rate compared to inflation and other wage, cost and price measures, indexed to March 2001



Section Five - The minimum wage in a global context and international research

Minimum wages across the OECD

94. New Zealand has a relatively high minimum wage compared to other OECD countries. Only Luxembourg and Australia have higher hourly minimum wages and minimum annual nominal incomes, when expressed in New Zealand dollars. Variations in rankings between the annual and hourly datasets in Table 7 below are caused by the different standard working weeks between countries.

Table 7: Ranking of the minimum wage rate across selected OECD countries, October 2021

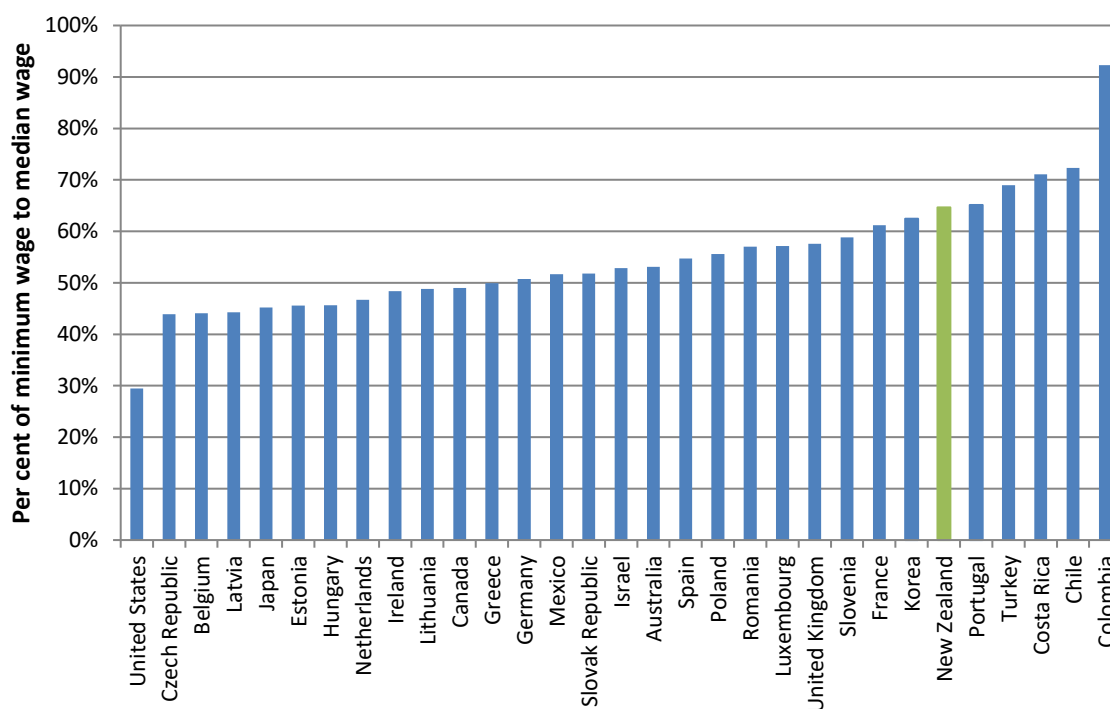
As Annual Nominal Income ⁵⁴			As Hourly Rate ⁵⁵		
Rank	Country	\$NZD	Rank	Country	\$(NZD)
1	Luxembourg	\$ 44,747	1	Australia	\$ 21.71
2	Australia	\$ 42,891	2	Luxembourg	\$ 21.51
3	New Zealand	\$ 41,600	3	New Zealand	\$ 20.00
4	United Kingdom	\$ 35,958	4	France	\$ 17.36
5	Ireland	\$ 35,031	5	United Kingdom	\$ 17.29
6	Netherlands	\$ 34,567	6	Ireland	\$ 17.27
7	Germany	\$ 33,463	7	Belgium	\$ 16.72
8	Belgium	\$ 33,037	8	Netherlands	\$ 16.62
9	France	\$ 31,592	9	Germany	\$ 16.09

95. New Zealand has one of the highest ratios of the minimum wage to the median wage amongst OECD countries, as shown in Figure 14 overleaf.

⁵⁴ Annual income is assessed by calculating the hourly rate with the standard working week, multiplied by 52 (weeks). The standard working week is 40 hours for most countries except for France (35), Australia (38), Belgium (38), Ireland (39) and Israel (42).

⁵⁵ The hourly rate is taken from official government sources. The hourly rate is then converted into \$NZD using Inland Revenue's 17 September 2021 *Overseas currency rates 2022 - rolling 12-month average August*.

Figure 19: International comparison – Minimum wages to the median wages OECD countries (2020 data)



Source: OECD⁵⁶

Review of international literature on the minimum wage

After early consensus on the impacts of the minimum wage, alternative findings have created a division in published research

96. There was a nearly universal consensus on the impact of the minimum wage in academic studies from the 1960’s to the early 1990’s. These studies used standard economic theory and time-series data to support the ideas that an increase in the minimum wage will result in (Neumark, 2014; Neumark & Wascher, 2004; Seltzer, 1997; Jardim et al, 2017; and Geloso, 2016):

- Reduced consumption of goods as firms increase prices
- Firms substituting labour with capital or high-skilled employment
- Lower employment of low-wage workers.

97. This group of studies suggest that the employment elasticity effect of the minimum wage is -0.1 to -0.3, meaning that a 10 per cent increase in the minimum wage is associated with a 1 to 3 per cent decrease in employment (Seltzer, 1997).

98. However, in the 1990’s, an alternative school emerged which either used the same time-series method (but with larger datasets/time periods), or cross-section

⁵⁶ Organisation for Economic Co-operation and Development OECD (2020). *Minimum relative to median wages of full-time workers* - <https://stats.oecd.org/Index.aspx?DataSetCode=MIN2AVE>

comparisons to find that minimum wage increases have negligible or even marginally positive employment effects (Sturn, 2018; Ferraro et al., 2018; Harasztosi et al., 2017; Belman et al., 2015; Hoffman, 2016; and Papps et al., 2014).

99. Recent academic literature on minimum wage effects has continued this lack of consensus. Two polarised camps, each with their own leading academics, have become entrenched – one in support of minimum wage increases and the other against. In a well-publicised example, competing studies published in 2017 on the effects of minimum wage increases in Seattle by researchers at the University of Washington and the University of California Berkeley arrived at opposing conclusions.⁵⁷ Subsequent papers for both camps continue to undermine one another. The disagreements can be traced to study design methods, theoretical bias, or simply a focus on different econometrics. The debate is far from settled but many recent studies favour the alternative evidence
100. Clemens (2021)⁵⁸ finds that contrary to the conservative view, a binding minimum wage does not necessarily reduce employment. However, they also find that, contrary to the liberal view, the minimum wage can harm its intended beneficiaries even when it has no effect on employment – due to reductions in training or benefits, or changes to hiring practices that disadvantage lower skilled or less experienced workers.
101. A 2021 NZIER insight report by Fry and Wilson summarises that most evidence from overseas and New Zealand suggests that modest increases in minimum wages do not have adverse employment effects⁵⁹. They note that while minimum wage settings do not appear to have negatively impacted employment in New Zealand, this does not mean that large increases in minimum wages can continue indefinitely without negative effects, and the current \$20.00 minimum wage level in New Zealand today is in real terms the highest since 1946 by a significant margin. Internationally, New Zealand has a very high ratio of the minimum wage to median earnings, and this ratio has increased significantly in recent years. Fry and Wilson refer to Maré and Hyslop’s identification of “downside risks” for the employment of young people and low-skilled workers most likely to be in minimum wage roles⁶⁰.

On the overall labour market

102. A majority of the literature argues that while the overall employment effects on the economy may be small or negligible, it is stronger for subsets of the population.

⁵⁷ See Jardim, E., C.Long, M., Plotnich, R., van Inwegen, E., Vigdor, J., & Wething, H. (2017). *Minimum Wage Increases, Wages, and Low-wage employment: Evidence from Seattle*. University of Washington and Reich, M., Allegretto, S., & Godoey, A. (2017). *Seattle’s Minimum Wage Experience 2015-16*. University of California, Berkeley.

⁵⁸ Clemens, J. ‘How Do Firms Respond to Minimum Wage Increases? Understanding the Relevance of Non-Employment Margins’. *The Journal of Economic Perspectives*. Vol. 35, No. 1 (Winter 2021), pp. 51-72.

⁵⁹ Fry, J. and Wilson, P. (2021). *The tale of Goldilocks and the three fears (about the minimum wage)*. NZIER Insight, 96-2021.

⁶⁰ Maré, D., and Hyslop, D. *Minimum Wages in NewZealand: Policy and Practice in the 21st Century*. No. 14302. IZA Discussion Papers. Institute for the Study of Labour (IZA).

103. In a study of evidence across 19 OECD countries, it was found that there was no overall effect on total employment. Looking at specific subsets of the population, there were only small or insignificant impacts. Interestingly, the study found the difference in elasticities for low minimum wages compared to high minimum wages is insignificant (Sturn, 2018).
104. Another study from the United States conducted a meta-analysis of 15 years of research published on the effects of minimum wage increases. The paper reviewed 37 studies and 739 estimates and found that the average estimated employment effect was very small.⁶¹
105. A 2019 study from the Institute for Research on Labour and Employment looked into the effects of raising the minimum wage to \$15 in low-income US counties and found positive outcomes across a range of metrics. The study is noteworthy for its large dataset of millions of households in more than 750 counties. The paper found no adverse effects on employment, weekly hours, or annual weeks worked. It also found no negative employment effects among women, black people and Hispanics, as well as substantial declines in household and child poverty. The study measured the gap between the minimum wage and the median wage in poor areas, assuming a \$15 hourly pay floor, and compared the gap to ones in other places to calculate disemployment effects.⁶²
106. Another well-publicised 2019 study from the National Bureau of Economic Research also offers a positive view on the effects of minimum wage increases.⁶³ It is based on a new method that infers the employment effects of a minimum wage increase by comparing the difference between jobs paying at or slightly higher than the minimum wage to the jobs that disappeared or shifted into compliance after an increase. The effects were estimated against hourly wage data using 138 state-level minimum wage changes between 1979 and 2016. The study found that the disemployment effects of minimum wage increases were minimal over a five year period, despite some evidence of reduced employment in tradable sectors, specifically identifying manufacturing. The study also suggests that conventional studies produce misleading inferences due to spurious changes in employment higher up the wage distribution ladder.
107. A November 2019 study commissioned by the UK Government surveyed the international evidence on the impacts of minimum wages. The study found that minimum wage increases result in limited disemployment effects, while significantly increasing the earnings of low paid workers. Across the United States, the report's evidence suggests that restraint on employment is small when the minimum wage does not exceed 59 per cent of the median wage, although small employment effects

⁶¹Wolfson, Paul J. and Belman, Dale. (2016). 15 Years of Research on U.S. Employment and the Minimum Wage. *Tuck School of Business*, Working Paper No. 2705499.

⁶² Anna Godøy and Michael Reich. (2019). "Minimum Wage Effects in Low-Wage Areas". IRLE Working Paper No. 106-19. <http://irle.berkeley.edu/files/2019/07/Minimum-Wage-Effects-in-Low-Wage-Areas.pdf>

⁶³ Cengiz, Doruk; Dube, Arindrajit; Lindner, Attila, Zipperer, Ben (2019). The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator. *National Bureau of Economic Research*, working paper 25434.

were found even in counties with a minimum wage as high as 81 per cent of the median wage. In the UK, a 2016 Low Pay Commission report concluded that the introduction of a national minimum wage resulted in small disemployment effects, while also finding that the minimum wage led to a small reduction in hours. The evidence of small impacts on low wage employment is consistent with recent findings on the effects of minimum wage increases in Germany and Hungary.⁶⁴

108. Another 2019 study focussed on New York City's \$15 minimum wage increase on restaurant employees demonstrated no negative employment effects. In fact, the evidence showed strong job and wage growth and a higher number of new restaurants, fuelled by the strong US economy. Restaurants were thriving despite increased rents, reduced margins from third-party food delivery apps, and other factors. New York restaurants have responded by slightly increasing prices to absorb the wage increases. Other states including California, Oregon, and Washington are also experiencing strong gains in the food and beverage sector despite higher state-level minimum wages. The ability for any sector to absorb minimum wage increases would only be tested during an economic downturn.⁶⁵
109. Despite the positive picture painted by these new studies, older studies suggest a hidden impact on turnover. One study found that even if there are no employment effects, minimum wage increases can impact accession and separation rates⁶⁶ (Liu et al, 2016; & Geloso, 2016). Workers may remain unmatched and the minimum wage creates coordination failure, resulting in suboptimal levels of productivity (Geloso, 2016). This has adverse effects on the economy as a whole even if they do not directly reduce employment.
110. In addition, many studies note that hours of work fall (Papps, 2014).⁶⁷ The lost income associated with hour reductions exceeds the gains associated with wage increases, leaving workers with a net loss, as was the case in Seattle which had a dramatic wage increase from \$9.47 to \$14 in two years (Jardim et al, 2017).
111. The Bank of Canada, in a 2018 review of the impact of minimum wages in Canada, found that employment effects are statistically significant, especially for younger workers. The study's structural model simulation estimated that a negative labour supply shock that raises wages by 0.7 per cent would result in a decline in demand for

⁶⁴ Dube, Arindrajit. (2019). *Impacts of minimum wages: review of the international evidence*. University of Massachusetts Amherst, National Bureau of Economic Research and IZA Institute of Labor Economics.

⁶⁵ Moe, Lina; Parrott, James; Lathrop, Yannet (2019). *New York City's \$15 Minimum Wage and Restaurant Employment and Earnings*. *Center for New York City Affairs at the New School and the National Employment Law Project*.

⁶⁶ As noted previously in this report, accessions are the number of employees starting jobs and separations are the number stopping jobs

⁶⁷ Papps, Kerry L; & Gregg, Paul. (2014). *Beyond the wage: Changes in employment and compensation patterns in response to the national minimum wage*. University of Bath.

labour, leading to a decline in total hours worked of 0.3 per cent, equating to a loss of about 60,000 jobs by 2019 (assuming working hours remain unchanged).⁶⁸

On large minimum wage increases

112. In January 2018, the province of Ontario in Canada raised its minimum wage from \$11.60 to \$14 per hour. That month, Ontario experienced a decline of over 59,000 part-time jobs.⁶⁹ While there is no empirical evidence to establish a direct link between the rate hike and the job losses, commentators pointed to the rise in wages as causing the job losses. Premier Doug Ford subsequently halted the previous Liberal government’s plan to raise the minimum wage to \$15 per hour on January 1st 2019.
113. In South Korea, the minimum wage increased by large rates, rising by 16.4 per cent in 2018 and 10.9 per cent in 2019, with a pledge by President Moon Jae-in to raise the minimum wage to 10,000 Won by 2020. Unemployment rose in January 2019 and businesses reported cutting employee hours of work, although these could be attributed to other factors including a slowing economy and regional trade headwinds.⁷⁰ In response, the Korean Government announced a rate rise of just 2.9 per cent for 2020 due to “economic conditions, employment situations, and market receptiveness” for the decision to scale back the promised wage rise.⁷¹ In October 2019, Statistics Korea reported an unemployment rate decrease from 3.6 per cent to 3.1 per cent, year-on-year.⁷²
114. In Alberta, Canada, the minimum wage rose by \$1.20 every year for four years from 2014. As of 2017, 25,000 workers had lost their jobs.⁷³ In Estonia, the minimum wage increased 10 per cent each year in 2013-16. There were no or only indiscernible effects on employment in the period.⁷⁴ In Hungary, the minimum wage increased by 60 per cent in 2001, resulting in 10 per cent of workers losing their jobs while the rest experienced a 50 per cent income increase. New jobs continued to appear equal to the number of lost jobs.

⁶⁸ Brouillette, Dany; Cheung, Calista; Gao, Daniel; & Gervais, Oliver. (2017). *The Impacts of Minimum Wage Increases on the Canadian Economy*. Bank of Canada.

⁶⁹ Statistics Canada. (2018). *Labour force characteristics by province – seasonally adjusted*. Retrieved from <https://www150.statcan.gc.ca/n1/daily-quotidien/180209/t003a-eng.htm>

⁷⁰ Kim, Cynthia; Yang, Heekyong. Reuters. (2018). *Moonwalking: South Korea’s wage, hours policies backfire for jobless, low income worker*. Reuters. Retrieved from <https://www.reuters.com/article/us-southkorea-economy-jobs-insight/moonwalking-south-koreas-wage-hours-policies-backfire-for-jobless-low-income-workers-idUSKBN1K70DD>

⁷¹ Yonhap. (2019). *Moon apologizes for failure to keep campaign pledge on minimum wage*. Korean Herald. Retrieved from <http://www.koreaherald.com/view.php?ud=20190714000190>

⁷² Statistics Korea. (2019). *Economically Active Population Survey in September 2019*. Retrieved from <http://kostat.go.kr/portal/eng/pressReleases/5/2/index.board?bmode=read&aSeq=378064>

⁷³ Marchand, Joseph. (2017). *Thinking about Minimum Wage Increases in Alberta: Theoretically, Empirically, and Regionally*. C.D. Howe Institute.

⁷⁴ Ferraro, Simona; Hanilane, Birgit; & Staehr, Karsten. (2018). Minimum wages and employment retention: A Microeconomic study for Estonia. *Baltic Journal of Economics*, 18(1), 51-67.

On youth

115. The majority of minimum wage studies focus on youth because evidence shows they are most impacted by the minimum wage.⁷⁵ The literature almost unanimously agrees that for teenagers, a higher minimum wage is associated with higher earnings,⁷⁶ reduced hires,⁷⁷ reduced hours,⁷⁸ and reduced turnover. For those in their 20s, the impact is less consistent and less pronounced.⁷⁹ Some studies identified that negative effects on youth employment associated with minimum wage increases are exacerbated during economic recessions (Dolton et al, 2012⁸⁰).
116. In recent international literature, Manning’s 2021 paper on ‘the elusive employment effect of the minimum wage’⁸¹ notes that younger workers’ circumstances may not be applicable to the wider labour market; reductions in hours could reflect differences in younger workers’ goals, for instance to earn only up to a certain amount to supplement their studies. Manning (2021) states that the literature on the employment effect of the minimum wage on teens “has come to resemble trench warfare (complete with six feet of mud) in which two sides are fighting over a small patch of ground which is not of much strategic importance in any case given the small size of the teen labour market”.
117. Pacheco’s (2011)⁸² study of data from 1986 to 2004 identifies that the impact of a higher minimum wage on workers aged 16-29 years old is significant and negative when the binding constraint is included. Of this group, the most adversely affected individuals appear to be 16–19 year olds. Pacheco (2011) also noted that minimum wage increases tend to be associated with increased employment for 18-19 year olds, although it is noted that this may be a result of model mis-specification. She suggests that a higher minimum wage may be encouraging 18-19 year olds to choose paid work over further education, increasing labour participation. Subsequent papers by the same author again finds significant negative employment effects on higher minimum wages, particularly for youth and ethnic minorities. Alingaghi, Creedy and Gemmell (2020) suggest the results of Pacheco’s study indicates employers may be encouraged to substitute away from minimum wage workers in lower age groups towards similar, slightly higher paid workers.

⁷⁵ Pacheco, Gail. (2007). The Changing Role of Minimum Wage in New Zealand. *New Zealand Journal of Employment Relations*, 32(3), 2-17.

⁷⁶ Liu, Shanshan; Hyclak, Thomas J.; & Regmi, Krishna. (2016). Impact of the Minimum Wage on Youth Labour Markets. *LABOUR: Review of Labour Economics & Industrial Relations*, 30(1), 18-37.

⁷⁷ Ibid.

⁷⁸ Pacheco at [24].

⁷⁹ Liu et al. at [25].

⁸⁰ Dolton, P., Bondibene, C., Schivardi, F., & Spinnewijn, J. (2012). *The international experience of minimum wages in an economic downturn*. *Economic Policy*, 27(69), 99-142. Retrieved September 11, 2020, from <http://www.jstor.org/stable/41428847>

⁸¹ Manning, A. The Elusive Employment Effect of the Minimum Wage. *Journal of Economic Perspectives*. Vol. 35 No. 1 Winter 2021, pp 3-26.

⁸² Pacheco, G. (2011). Estimating employment impacts with binding minimum wage constraints. *The Economic Record*, 87(279). doi:10.1111/j.1475-4932.2011.00722.x

118. Hyslop and Stillman (2011) examined the impact of the 2008 youth minimum wage reform, which extended the adult minimum wage rate to the majority of young people aged from 16 years.⁸³ The study found that the starting-out wage was largely not used by businesses and that firms generally pay the majority of 16 and 17 year old workers the adult minimum wage. This is still the case today; 57 per cent of employed 16-17 year olds are paid the current adult minimum wage⁸⁴.
119. Maré and Hyslop's 2021 review of minimum wage policies since 2000 observes that the adult minimum wage has increased 75% in CPI-adjusted real terms, and in addition, the youth minimum wage was abolished in two stages, resulting in a 125% increase in the real minimum wage for 16–19-year-old workers⁸⁵. Maré and Hyslop found that the minimum wage now strongly determines the wages of teenage workers as a “de facto” teenage wage setting policy, with the minimum wage now at the median wage of teenagers, and over half of 16–17-year-olds, and about 40% of 18–19-year-olds, earning at or below the minimum. Although they find no clear evidence that increases in the minimum wage have led to adverse employment effects, they expect there are downside risks for youth and low skilled workers' employment.

On women

120. In New Zealand, 56 per cent of all minimum wage earners are women. While studies agree that raising the minimum wage would help reduce the gender pay gap, dis-employment effects on women have not been robustly studied. However, when the UK introduced a national minimum wage, employment retention for part-time women reduced by 3 per cent.⁸⁶

On ethnic minorities

121. The impact on ethnic minorities has not been generally studied to date. One author found only one robust study which reported that the minimum wage stimulated employment among single African American and Hispanic mothers in the United States, but reduced employment among childless African American and Hispanic people.⁸⁷
122. Pacheco (2011) noted that Māori stood out as a sub-group (of 16-29 year olds) adversely affected by a higher minimum wage in New Zealand. Māori who face a binding minimum wage experienced significant falls in their employment propensity and usual total weekly hours worked.

⁸³ Hyslop, & Stillman. (2011). *Impact of the 2008 Youth Minimum Wage Reform*.

⁸⁴ Maré, D., and Hyslop, D. *Minimum Wages in New Zealand: Policy and Practice in the 21st Century*. No. 14302. IZA Discussion Papers. Institute for the Study of Labour (IZA).

⁸⁵ Maré, D., and Hyslop, D. *Minimum Wages in New Zealand: Policy and Practice in the 21st Century*. No. 14302. IZA Discussion Papers. Institute for the Study of Labour (IZA).

⁸⁶ Dickens, Richard; Riley, Rebecca; & Wilkinson, David. (2015). A Re-examination of the Impact of the UK National Minimum Wage on Employment. *Economica*, 82, 841-864.

⁸⁷ Belman, Dale; Wolfson, Paul; & Nawakitphaitoon, Kritkorn. (2015). Who Is Affected by the Minimum Wage? *Industrial Relations*, 54(4), 582-615.

On poverty

123. Maré and Hyslop’s recent review of minimum wages in New Zealand concludes that as minimum wage workers are broadly spread across the household income distribution, minimum wages are largely ineffective as a redistributive income support policy⁸⁸. Many people on low hourly rates of pay are nevertheless in households where incomes are not particularly low. Transfer income much more effectively targets households in the lowest three deciles, as policies designed to target low household incomes are more effective at reaching people with low household incomes. To the extent that minimum wages are intended as an income support policy, Maré and Hyslop’s recommend they should be designed and evaluated in the context of other income support policies.
124. Other New Zealand-based research examining the effects of minimum wage increases similarly suggests that increasing the minimum wage has a relatively limited effect on the inequality of income and poverty (per adult equivalent income) (Alinaghi, Creedy and Gemmell).⁸⁹ This was largely due to many low-wage earners being secondary earners in higher income households, whereas many low income households have no earners in the labour market and so do not benefit from an increase. The study identified that increasing the minimum wage provided more substantial assistance for sole parents employed at this income level. It concluded that other options like family-based government fiscal transfers and in-work tax credits are likely to be better targeted in achieving poverty measures and redistribution gains in New Zealand than increasing the minimum wage. However, the paper acknowledged minimum wage policies are relevant as they have other objectives such as providing a wage floor to protect low-paid workers with limited bargaining power.

On small businesses

125. Chava, Oettl and Singh (2019)⁹⁰ analysed the effects of ‘one-size fits all’ federal minimum wage increases on small businesses in the United States. The study found increases in the federal minimum wage worsen the financial health of small businesses in the states bound by the minimum wage. Small, young, labour-intensive, minimum-wage sensitive establishments (e.g. restaurants, retail) located in these states and businesses located in competitive and low-income areas experience higher financial stress (reduced cashflows, lower bank credit, loan defaults), which can lead to a higher rate of business closures and less new entrants. The premise is that wages are a significant part of small businesses’ operating costs and not all affected firms would have the flexibility to immediately adjust their capital-to-labour ratio or pass on the increased costs to their customers and profit margins cannot be maintained by

⁸⁸ Maré, D., and Hyslop, D. *Minimum Wages in New Zealand: Policy and Practice in the 21st Century*. No. 14302. IZA Discussion Papers. Institute for the Study of Labour (IZA).

⁸⁹ Alinaghi, Nazila, Creedy, John, Gemmell, Norman, (2020), The Redistributive Effects of a Minimum Wage Increase in New Zealand: A Microsimulation Analysis, 10.1111/1467-8462.12381, Australian Economic Review.

⁹⁰ Chava, Sudheer; Oettl, Alexander; Singh, Manpreet (2019), Does a One-Size-Fits-All Minimum Wage Cause Financial Stress for Small Businesses? *National Bureau of Economic Research*, working paper 26523. © 2019 by Sudheer Chava, Alexander Oettl, and Manpreet Singh.

reducing other costs or by increasing productivity. This working paper has not been peer-reviewed.

On labour productivity

126. Some studies have shown that minimum wages not only help to reduce wage variation across businesses and channel productivity gains into higher wages, but they can also contribute to higher labour productivity – both at the enterprise level and at the aggregate economy-wide level. At the enterprise level, workers may be motivated to work harder (Ehrenberg and Smith, 2009),⁹¹ stay longer with their employer, be more committed and gain experience, which can encourage higher levels of employer and employee training. As a result, some firms can become more efficient and productive over time (Riley and Bondibene (2015)⁹², Croucher and Rizov (2012)⁹³). Dube, Lester and Reich (2012) attribute reduced turnover for restaurant workers in California to the effect of the minimum wage, which reduces wage competition between low-paying enterprises.⁹⁴
127. However, some researchers have noted that productivity increases may be the result of a fall in employment due to the minimum wage, as enterprises substitute capital for labour and adopt more capital-intensive production technologies. (Aaronson and Phelan (2000)⁹⁵, Aaronson and Phelan (2017)⁹⁶).

⁹¹ Ehrenberg R. G. and R. S. Smith, 2009. *Modern Labor Economics: Theory and Public Policy*, 10th Edition, Pearson.

⁹² Riley, R.; Bondibene, C., R.; 2015. *The Impact of the National Minimum Wage on UK Businesses*. Report to the Low Pay Commission. National Institute of Economic and social Research and Centre for Macroeconomics.

⁹³ Croucher, R.; Rizov, M.; 2012. *The Impact of the National Wage on Labour Productivity in Britain*, E-Journal of International Labour Studies, Volume 1, No. 3-4 October-December 2012.

⁹⁴ Dube, A.; Lester, T., W.; Reich, M.; 2012. *Minimum Wage Shocks, Employment Flows and Labour Market Frictions*, IRLE Working Paper No. 122-12.

⁹⁵ Aaronson, Daniel and Phelan, Brian J., *The Evolution of Technological Substitution in Low-Wage Labor Markets* (July 10, 2020). FRB of Chicago Working Paper No. 2020-16

⁹⁶ Aaronson, D. and Phelan, B.J., 2017. "Wage Shocks and the Technological Substitution of Low- wage Jobs." *The Economic Journal*, 129(617), pp.1-34.

Section Six - Impacts on the New Zealand employment

128. The following Sections explain how minimum wages can help lift the incomes of individuals and families and contribute to improved living standards. However, some employers and employees can experience negative impacts, depending on the level of the increase and how firms respond to it.

Effect on wages and inflation

129. When the minimum wage increases, labour costs for businesses increase either directly as they employ minimum wage workers, or indirectly because of flow-on effects to the wages of workers paid close to the minimum wage. Employers may respond by absorbing the rise by accepting lower profits or by increasing the price of goods produced or services provided. They can also reduce labour costs, either by reducing hours paid to employees or by reducing the size of their work force. Whether this leads to higher general inflation depends on the broader drivers of inflation, such as changes in aggregate demand, consumer preferences, and costs of inputs. It is difficult to predict how businesses across different sectors will respond to an increase in the minimum wage as they will each have different pressures and capacity to manage the increase in costs.
130. Table 8 below shows the number of workers that would be captured in the wage band of each option, the estimated impacts on the economy-wide wage expenditure and the inflationary impacts. As expected, increases to the minimum wage result in more workers captured by the new rate. Economy-wide wage increases also rise with each rate increase. The first five options (\$20.00 and \$21.00) are estimated to have close to zero impact on inflation, options 5 to 8 (\$21.25 to \$21.75) are estimated to lead to a low increase in inflation and option 9 (\$22.75) is estimated to lead to a moderate increase in inflation.

Table 8: Economy-wide impacts of minimum wage options (figures rounded)

Option	Current number of workers earning between current and new option of minimum wage	Economy-wide increase in wages (\$m, annual)	Expected increase in inflation (%)
\$ 20.00	N/A	0	0.0
\$ 20.35	183,100	83	0.03%
\$ 20.60	208,200	151	0.05%
\$ 20.80	217,200	212	0.07%
\$ 21.00	230,300	278	0.09%
\$ 21.25	300,700	389	0.12%
\$ 21.40	309,100	458	0.15%
\$ 21.75	347,600	637	0.20%
\$ 22.75	475,900	1317	0.42%

131. In last year's review, the \$22.10 minimum wage option (2020 Living Wage) was assessed to impact 424,000 workers (with an economy-wide wage increase of \$1,232 million) when analysing the impact of this option using the 2020 Income data. In this year's review, the \$22.00 option impacted 362,900 (about 17 per cent fewer) workers (with an economy-wide wage increase of \$455 million) when using the 2020 income data, which included wage increases that applied separate from the minimum wage increase.
132. While a minimum wage increase raises the wages of workers in entry level roles, it can also create wage compression issues as entry level worker wages become closer to those of more experienced employees. Wage compression occurs when there is only a small difference in pay between employees regardless of their skills, seniority or experience. Some employers may already be experiencing wage compression due to the relatively large increases in the minimum wage since 2018. This can create pay scales within business that are considered inequitable and can lead to higher skilled employees becoming disillusioned with wage levels, which can result in reduced productivity and increased turnover.
133. This year, the fraction of minimum wage workers to total wage earners is far higher at 7.8 per cent which is higher than previous years where has normally been around 3 to 4 per cent (3.5 per cent in 2018, 4.2 per cent in 2019 and 3.0 per cent in 2020). This reflects the compression effect that a minimum wage increasing at a faster rate than the median wage has on the income distribution for workers. This arithmetical calculation is based on point in time income data and assumes that everyone below the proposed new minimum wage rate moves to it and no further. It is also likely that workers paid just below the minimum wage would probably receive the general company pay movement (or more), not just the (small) adjustment to the new rate. This is why a year or so later the fraction of workers on the minimum wage normally generally drifts back towards 3 to 4 per cent of wage earners.

Impacts on employment

134. Employers may also respond to minimum wage increases by reducing their highest input costs, which is usually labour. Negative employment effects resulting from this include job losses, lower job growth, unfilled vacancies and reduced hours of work. The extent of these effects will depend on the size of the minimum wage rate increase, the economic and labour market context in which the rate increase occurs and how firms respond.
135. Interestingly, some employer's representatives have noted that some businesses are simply closing, particularly if the owners are considering retirement or investing in other opportunities. They have also noted that employers are hiring more skilled workers instead of those on the minimum wage. This is less costly than hiring a minimum wage worker where there is more expense in training and pastoral support to make a less skilled worker more productive. It also means that the employer does not need to adjust the entire pay scale for all their workers to accommodate the

increase at the lowest level as employing one more expensive worker is less costly than pay all workers more.

136. MBIE’s modelling indicates that significant restraints on employment growth are only likely to occur when changes to the minimum wage rate are large compared to increases in the average wage. This is consistent with domestic and international literature. MBIE’s model uses economic and employment data to predict the employment effects of different increases to the minimum wage. The model provides estimates for three groups:
- **Groups most affected:** The model produces predicted employment impacts for aggregate groups most affected by minimum wage changes (16-17 year olds, 18-19 year olds, females, Māori, Pacific People)
 - **16-64 year olds (relative impact):** All workers aged between 16 and 64 years old are included and the impact of the change to the minimum wage relative to the average wage is used to assess the employment effects
 - **16-64 year olds (direct impact):** All workers aged between 16 and 64 years old are included and the model captures the direct employment effect of the proposed minimum wage increase as well as the increase to the average wage separately rather than relative to each other.
137. Of these three groups, MBIE uses the figures modelled for the 16 to 64 year olds ‘relative impact’ since we consider this to be the best estimate of the impacts. As shown in Table 9 below, the modelling suggests that increases above \$20.00 would significantly restrain employment growth.

Table 9: Summary of employment impacts

Option	Potential constraint on employment growth		
	‘Groups most affected’	‘16-64 year olds’	‘Minimum wage bite’
\$ 20.00	S	S	S
\$ 20.35	S	S	S
\$ 20.60	S	S	S
\$ 20.80	-1,100	- 2,000	-2,200
\$ 21.00	-2,300	-3,900	-4,400
\$ 21.25	-3,700	- 6,400	-7,100
\$ 21.40	- 4,500	- 7,900	- 8,800
\$ 21.75	- 6,500	-11,300	-12,600
\$ 22.75	-12,100	-21,100	-23,600

138. The employment restraint figures for the \$20.35, \$20.60, \$20.80, \$21.00, \$21.25 and \$21.40 options are lower than the estimated restraint of -9,000 people for the increase

to \$20.00 in 2021. In comparison, the restraint figures assessed for the minimum wage changes implemented in 2018 and 2019 were -8,000 and -6,500 respectively.

139. The restraint figures are lower than expected, particularly for the \$20.80, \$21.00 and \$21.25 options, due to actual average wage growth in 2021 (4.0 per cent) being higher than Treasury's forecasts for wage growth in 2022 at Budget 2021 (3.0 per cent) and at the onset of COVID-19 in 2020 (0.9 per cent).
140. The incidence of the minimum wage for the \$20.80, \$21.00 and \$21.25 options, at about 217,200, 230,300 and 300,700 workers respectively, shows that around 80,000 additional workers could benefit from the minimum wage increasing to \$21.25.
141. We have also considered Treasury's net employment growth forecasts to see if the overall growth in employment would likely absorb workers who may potentially lose their jobs. For the year ending 30 June 2021, net employment growth was positive adding 21,000 to 24,000 jobs to the economy, which was a growth rate of 0.8 to 0.9 per cent. Treasury forecasts net employment growth in 2021/2022 to be approximately 1.4 per cent, which is equivalent to 38,000 jobs.
142. Domestic and international literature identifies that significant restraint on employment is only likely to occur when the percentage increases in the minimum wage rate are larger than increases in the average wage. This logic suggests that increases to the minimum wage beyond \$21.25 will have more substantial restraint effects on employment that may not be absorbed by job growth in the labour market. This could possibly result in additional unemployment and workforce under-utilisation.

Impacts on poverty

143. Reducing poverty, particularly child poverty, is a key government objective. Legislation introduced in 2018 (the Child Poverty Reduction Act) establishes a framework for measuring child poverty, and requirements to set targets to reduce child poverty, and to report regularly on progress towards the targets.
144. Using the primary measures specified in the Child Poverty Reduction Act, Statistics NZ estimated that, in 2018/19, between 13.4 per cent and 20.8 per cent of New Zealand children lived in poverty or material hardship.⁹⁷ Estimates are that around 40 per cent of children in poverty live in households where there is at least one adult in full-time employment or self-employment.⁹⁸
145. Data from the 2019 Household Labour Force Survey⁹⁹ indicates that just under 22 per cent of people earning at or below the minimum wage in 2019 (35,700 people) were

⁹⁷ New Zealand's Child Poverty Reduction Act adopts a multi-measure multi-level approach, with four primary and six supplementary measures that consider different depths of child poverty before and after housing costs, and material hardship.

⁹⁸ Department of the Prime Minister and Cabinet. (2018). *Child Poverty Reduction Proactive Release March 2018*. Retrieved at <https://dpmc.govt.nz/sites/default/files/2018-03/doc-06-cbc-paper-legislating-to-drive-action-to-reduce-child-poverty.pdf>

⁹⁹ Evidence from the 2019 income supplement of the Household Labour Force Survey

parents in households with dependent children. This increases to 34 per cent if taking into account everyone (not just parents) earning at or below the minimum wage, and living in a household with dependent children. A range of factors influence whether the overall incomes of these households are in poverty. These include whether there are other earners, number of hours worked, household size, and entitlement and take-up of government income support (eg through tax credits and supplementary assistance). Non-income factors will further influence the extent to which minimum wage earning households with children experience material hardship.

146. International evidence suggests that under certain conditions (eg growing demand for labour, and no or small disemployment effects) minimum wage increases can be effective in reducing poverty.¹⁰⁰ Overall, however, a key message from the literature is that minimum wage increases on their own are a ‘blunt instrument’ for reducing child poverty. This is because minimum-wage and other low paid workers can be found in households across the income distribution, and (as indicated above) a relatively small proportion of minimum wage earners are parents in households with dependent children.
147. The effects of minimum wages on poverty are also highly context specific, with important interaction effects with economic conditions, employment settings, and the tax and transfer system. As is shown later in this report, some households with a minimum wage earner will not receive the full financial gains of a minimum wage increase. That is because their higher level of income may reduce the amount of financial assistance they are entitled to receive through Government transfers, such as Working for Families and the Accommodation Supplement.
148. The Child Poverty Unit and Ministry of Social Development undertook analysis¹⁰¹ for the 2018 minimum wage review, to consider the impacts of proposed minimum wage changes on selected child poverty measures. That analysis indicated that minimum wage increases were more likely to have an impact on income poverty rates for households *without* children, with limited impacts on measured income poverty for households with children.
149. There are a range of reasons for this finding, but a key one is that minimum-wage earning households with children often receive government-provided income support to supplement their employment income. In particular, the design of the Minimum Family Tax Credit (MFTC) component of Working for Families guarantees low income families with a dependent child or children an after-tax minimum income, by ‘topping up’ a household’s earned income to a set level.

¹⁰⁰ Matsaganis, Medgyesi and Karakitsios. (2015). *EU Research note on interaction between minimum wages, income support, and poverty*. European Commission.

¹⁰¹ The analysis looked at whether proposed minimum wage increases put the incomes of scenario households (for different household sizes, locations and numbers of hours worked) over various standard poverty lines. Poverty lines are generally set as a proportion of median incomes (e.g. 40 per cent, 50 per cent or 60 per cent), either before or after housing costs (‘BHC’ or ‘AHC’). The modelling assumed lower quartile rents and full-take up of income-support entitlements such as Working for Families and Accommodation Supplement. Further information can be found in the Minimum Wage Review 2018 (MBIE, 2018).

150. Over the past few years the government has implemented a number of targeted initiatives to increase the net incomes of many low-income working households. These changes include: the Families Package (which made changes to Working for Families and introduced Best Start payment to families in the first few years of their child's life); increases in abatement thresholds which affect the number of hours someone can work before their benefit reduces; and removal of the 'hours test' for the In Work Tax Credit (IWTC).
151. Other recent changes have increased the incomes of non-working families. These include the wage indexation of main benefits, the increase in main benefits in 2020, 2021 and 2022 and changes to increase the Family Tax Credit rate and abatement rate to support low-income families in April 2022. The combination of these changes and minimum wage changes has maintained a gap between main benefits and paid work that is consistent with previous years, and broadly maintains existing financial incentives to work.
152. Further minimum wage changes may increase incentives for people to enter work or increase their hours of work. These kinds of behavioural impacts are difficult to model, but recent New Zealand analysis¹⁰² suggests that they may be greater for sole parents in particular, leading to meaningful reductions in poverty rates for this group (and their children).
153. There has been no specific analysis of the impact of minimum wage changes on levels of material hardship, which is one of the ten legislated measures of child poverty. These impacts are difficult to analyse as they are influenced by a broad range of factors, beyond income. Nevertheless, there is good evidence that increasing income is a key means of reducing material hardship.¹⁰³ We would expect that increased net household income as a result of minimum wage increases will have a positive impact on actual day-to-day living conditions of some low and middle income families, and help contribute to reduced material hardship for some households.

¹⁰² Alinaghi, Nazila, John Creedy and Norman Gemmill (2020) The redistributive effect of a minimum wage increase in New Zealand: A micro-simulation analysis. The Australian Economic Review. The University of Melbourne.

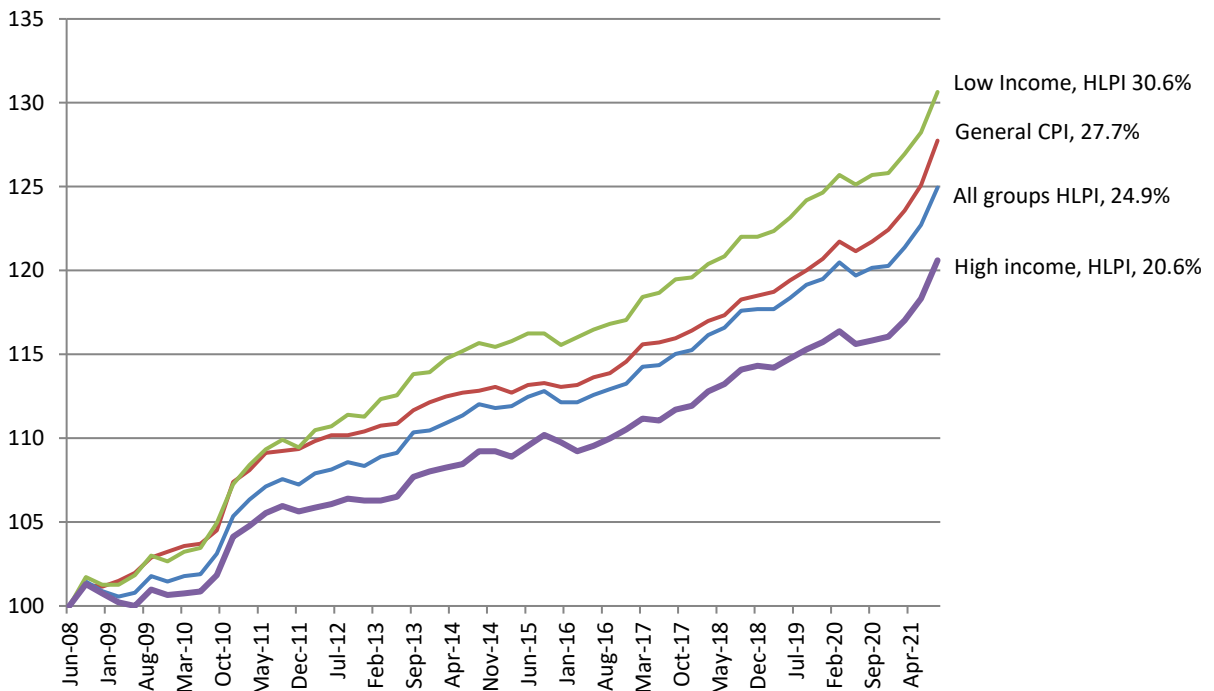
¹⁰³ See for example, Guio, Anne-Catherine, Eric Marlier, Frank Vandenbroucke and Pim Verbunt (2020) *Micro- and macro-drivers of child deprivation in 31 European countries. 2020 edition*. Eurostat Statistical Working Papers

Section Seven - Impacts on workers

Cost of living

154. The Consumer Price Index¹⁰⁴ (CPI) and Household Living-Cost Price Indexes¹⁰⁵ (HLPI), published by Statistics NZ, provide trend data on changes in the cost of living over time. Analysis of this data indicates that low-income and beneficiary households have experienced higher than average price inflation over the past decade. Between 2008 and 2021, the cumulative inflation experienced by low-income households (by quintile) was 30.6 per cent, compared to 24.9 per cent for all households generally, 27.7 per cent in the Consumer Price Index and 20.6 per cent for high income households, as shown in Figure 23 below. Since June 2020, the upward trend in price indices across both all and low-income groups has accelerated as the inflationary pressures have pushed the prices of consumer goods and services higher. This is a result of the economic recovery that eventuated after the COVID-19 lockdowns in 2020 and the continued border closures that have limited the movement of labour and goods creating further supply chain constraints.

Figure 20: Comparison of change in price indices (relative to June 2008)



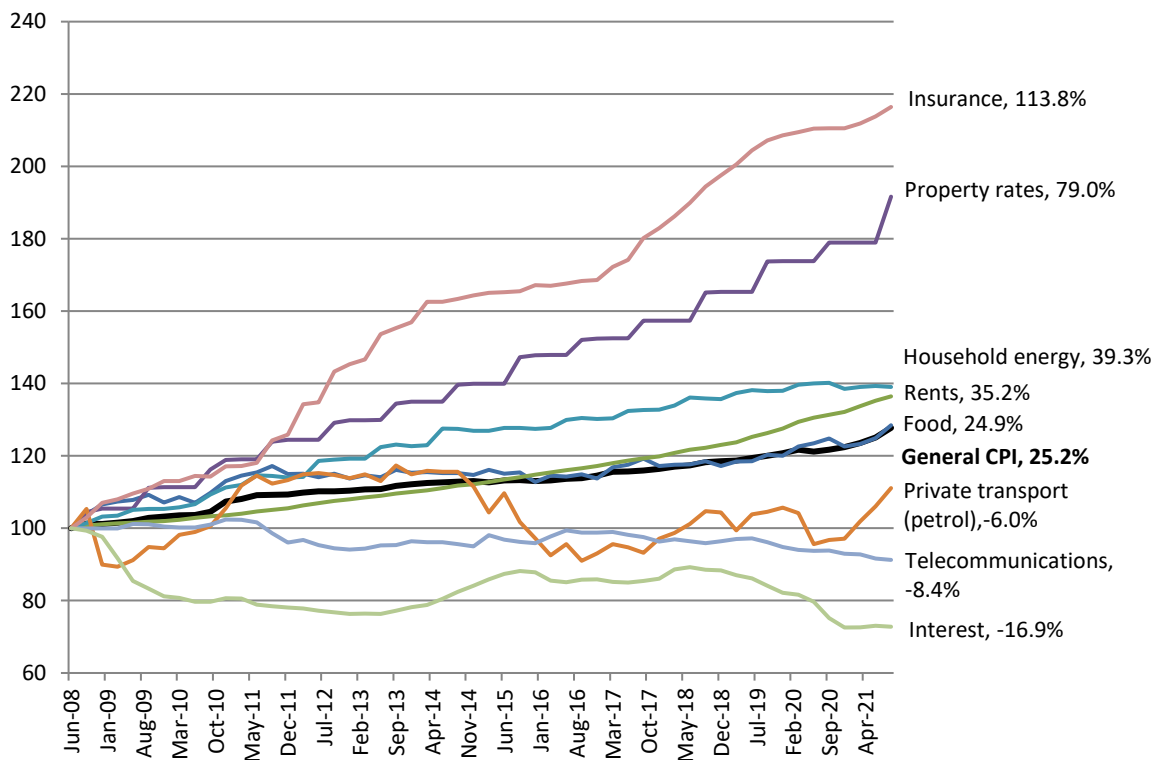
155. Since 2008, the biggest drivers of increases in the cost of living for low income households have been insurance, local authority property rates, rents and to a lesser extent food, as shown in Figure 24 overleaf. In recent months, the cost of private transport, mainly showing in petrol prices, has contributed to the rising cost of living.

¹⁰⁴ The Consumer Price Index measures the change in the price of goods and services for a basket of goods intended to be representative for an 'average' New Zealand household.

¹⁰⁵ The Household Living-Costs Price Indexes are produced by Statistics NZ and track the experience of inflation for different groups (e.g. for beneficiaries, superannuitants and Māori, and by income and expenditure quintiles).

156. The higher cost of living increases experienced by low income households are primarily due to the fact that items such as rent and petrol costs account for a greater proportion of the expenditure of these households. Insurance and property rates mostly affects housing and are also reflected in rents to low income households as these costs are passed on by landlords. As a result, the significant cost increases for these items have had a greater impact on low-income households. Low income households are also less likely to have benefited from recent decreases in interest rates, as they are less likely to own their own home and have a mortgage.

Figure 21: Price change in selected costs in comparison to general CPI (indexed to June 2008)



157. In the year to September 2021, the CPI rose 4.9 per cent.¹⁰⁶ Prices for transport (up 13 per cent); housing and household utilities (up 6.0 per cent) and food (up 3.1 per cent) were the leading contributors to the annual increase in the CPI. The increase was influenced by higher prices for accommodation services (up 15.2 per cent); home ownership (up 12.0 per cent); fruit and vegetables (up 5.3 per cent); and restaurant and takeaway meals (up 4.5 per cent). These items also drove the September 2020 quarterly inflation increase of 0.7 per cent compared with June 2020. However, these increases were offset by lower annual prices for telecommunications equipment (down 15.0 per cent); computing equipment (down 10.1 per cent) and household energy (down 0.6 per cent).

158. The LCI all salary and wage rates (including overtime) increased 2.4 per cent in the year to the September 2021 quarter, which compares with 1.9 per cent in the year to

¹⁰⁶ Statistics NZ, [Consumers price index \(CPI\) | Stats NZ](#)

September 2020. This was mainly driven by the private sector, which increased by 2.5 per cent, with public sector wages rising by 1.9 per cent over the year.

Impacts on minimum wage workers

The number and demographics of people affected

159. Of the 2,046,900 wage earners employed in New Zealand,¹⁰⁷ 7.8 per cent (160,600) earn the minimum wage in 2021. The data on wage earners is from the June 2021 quarter Household Labour Force Survey (HLFS). This is a significant increase on last year's survey because, in part in the year to June 2020, that data excluded the additional workers who reported working zero hours due to the COVID-19-related lockdowns whose jobs were supported by the Wage Subsidy during June 2020 quarter. It was estimated that there were 96,000 workers who reported zero hours at that time.
160. The following tables estimate the number of workers aged 16 to 64 who are likely to be affected by the minimum wage options. The percentage columns refer to the percentage of workers earning at the relevant wage level among the total population of wage and salary earners.

Table 10: Estimated affected adult workers (aged 18 to 64 years)

Option	18-64		18-19		20-24		25-64	
	%	Number	%	Number	%	Number	%	Number
\$20.00	7%	142,800	39%	23,400	18%	41,300	5%	78,100
\$20.35	8%	162,700	45%	27,300	20%	45,800	5%	89,600
\$20.60	9%	185,200	48%	29,000	23%	51,600	6%	104,600
\$20.80	10%	193,500	49%	29,200	24%	53,000	6%	111,200
\$21.00	10%	205,700	50%	30,200	25%	55,800	7%	119,700
\$21.25	14%	273,100	58%	35,100	32%	72,300	10%	165,800
\$21.40	14%	281,500	58%	35,100	33%	74,100	10%	172,400
\$21.75	16%	318,700	62%	37,100	36%	81,000	12%	200,600
\$22.75	22%	444,300	72%	43,600	46%	103,300	17%	297,400

161. The table below shows that generally, larger numbers of 16 to 17 year olds will be affected by increases in the adult minimum wage than the starting out wage, because few young people are paid the starting-out wage.

¹⁰⁷ This number only includes wage and salary earners aged 16-64, and excludes workers aged 65 years and older, self-employed, and non-paid employees.

Table 11: Estimated affected young workers (aged 16 to 17 years)

Option	Workers aged 16-17 paid adult minimum wage	
	%	Number
\$16.00 to \$20.00 (Workers aged 16-17 paid at 80% of adult minimum wage)	10.8%	4,500
At \$20.00	42.9%	17,800
\$20.00 to \$20.35	49.2%	20,400
\$20.00 to \$20.60	55.4%	23,000
\$20.00 to \$20.80	57.1%	23,700
\$20.00 to \$21.00	59.3%	24,600
\$20.00 to \$21.25	66.3%	27,500
\$20.00 to \$21.40	66.5%	27,600
\$20.00 to \$21.75	69.9%	29,000
\$20.00 to \$22.75	76.1%	31,600

162. Workers who are female, Māori, Pacific People, without formal qualifications, part-time employees, or working in the retail and hospitality industries are more likely to be paid at the minimum wage rate. These workers are therefore generally more likely to benefit from any increase to the minimum wage rate. However, they may also be the first to experience any negative impacts that could result from a change to the minimum wage (for example, reduced hours or jobs offered or substitution of some groups of workers for others). A significant rise in the level of the minimum wage may have the effect of employment losses and subsequently increased hardship for lower skilled workers.
163. Table 12 overleaf shows the proportion of minimum wage earners and total wage earners with certain demographic and job characteristics. The table shows, for example, that 49 per cent of minimum wage earners aged 16 to 24 are part-time workers compared with 17 per cent of all wage earners. Likewise, 23 per cent of minimum wage earners aged 16 to 24 years are studying compared with 13 per cent of all wage earners.

Table 12: Demographics of current minimum wage earners

Demographic (Using the current MW of \$20.00)	% of minimum wage earners			% of total wage earners
	16-24	25-64	16-64	16-64
Aged 16-24 years	100%	0%	51%	16%
Female	54%	36%	45%	59%
European/Pakeha	52%	66%	59%	49%

Māori	20%	19%	20%	15%
Pacific	9%	10%	10%	7%
Part-time	60%	38%	49%	17%
Studying	35%	9%	23%	13%
Total	82,500	78,100	160,600	2,046,900

Young people

164. Minimum wage increases have a greater impact on young people. Those who remain in work will likely see an increase in their wages. However, others might lose their jobs or not gain employment due to the dis-employment effects that minimum wage increases can have. Young people who do not successfully transition into employment from education, particularly those with low skills and prolonged periods of inactivity, are at risk of low employability over the long-term. Therefore, there is a risk that increasing the minimum wage significantly could reduce young People' well-being over the long-term. Conversely, a high minimum wage can incentivise young people to leave education and training and take up employment. So any disemployment effects may have opposite impact, creating incentives for young people to stay in full-time education or training and improve their qualifications, enabling them to transition into higher skilled and better paid employment.
165. Young people tend to earn less than older employees due to their lack of work experience and being in the beginning stages of their career. Table 12 notes that this year, 51 per cent of those earning the minimum wage were between 16 and 24 years old while only accounting for about 16 per cent of all workers. In the 2019 review, 55 per cent of those earning the minimum wage were between 16 and 24 years old while only accounting for about 16 per cent of all workers. The figure for the 2020 review was 49 per cent. The same age group only accounted for about 16 per cent of all workers.
166. The 2008 youth minimum wage reform coincided with an increase in the adult minimum wage rate of 75 cents and therefore resulted in an overall 8.5 per cent minimum wage increase for 16 and 17 year olds. However, that minimum wage increase reduced the proportion of 16 and 17 year olds in employment by between 3 and 6 per cent (4,500 - 9,000 jobs). The jobs that were lost by 16 and 17 year olds were generally taken up by people aged 18 to 19 years. As noted previously, Pacheco (2011) suggested that a higher minimum wage rate may be encouraging 18 to 19 year olds to choose paid work over further education. This trend also supports the Alingaghi et al (2020) suggestion higher minimum wage rates may encourage employers to substitute younger minimum wage workers for slightly older, higher paid workers.

Women

167. Women are more likely than men to be impacted by any changes to the minimum wage rate as they tend to be overrepresented in low paid employment (for example, part-time and service sector jobs). Table 12 shows that 45 per cent of all minimum

wage workers are women, and 36 per cent of minimum wage workers between 25 and 64 years are women. By comparison, 59 per cent of the total workforce is female. The percentage of minimum wage earners who are women has decreased since last year's review by 11 per cent for workers between the ages of 16 and 64 and by 26 per cent for workers between the ages of 25 and 64.

Māori and Pacific People

168. Māori are overrepresented among those in low paid jobs and more likely to be adversely affected compared to other ethnic groups by a higher minimum wage. A 2011 study found that Māori who were earning the minimum wage experienced significant falls in their employment and total weekly hours when the minimum wage increased significantly.¹⁰⁸ MBIE modelling finds that Māori represent approximately 20 per cent of total wage earners and 15 per cent of total minimum wage earners, which is 5 per cent higher than in the 2020 review and 4 per cent higher than in 2019.
169. Pacific People account for around 7 per cent of total wage earners and 10 per cent of total minimum wage earners, which is 1 per cent higher than in the 2020 review and 4 per cent higher than in 2019.

Part-time workers

170. Table 12 shows that 60 per cent of workers earning the minimum wage aged 16 to 24 years work part-time, while 38 per cent of the workers earning the minimum wage over 25 years of age work part-time. Therefore, any increase to the minimum wage will directly benefit a large proportion of low paid, younger part-time workers. They might also experience negative impacts from the responses to a minimum wage increase by employers, such as reducing hours, recruiting fewer people, shifting production offshore, or increasing automation.
171. A survey by the former Department of Labour in 2012 found that some employers change their hiring practices in reaction to the changes to the minimum wage in line with the impacts above.¹⁰⁹ MBIE's 2018 consultation with workers also found that hiring practices change in line with the impacts above.

Students

172. Table 12 shows that 35 per cent of minimum wage workers aged 16 to 24 are in education compared to 13 per cent of the total wage workers who are studying. This is similar to the last two years. The high proportion of young people in part-time, minimum wage jobs while studying, suggests that they are likely to move into higher paying, full-time jobs in the future.
173. Higher minimum wages could encourage young people to leave education and join the workforce. But on the other hand, higher wages are likely to be a barrier for young

¹⁰⁸ Pacheco, G. (2011). Estimating Employment Impacts with Binding Minimum Wage Constraints. *The Economic Record*, 87(279), 587-602.

¹⁰⁹ Department of Labour. (2012). *Employers' attitudes and practice around the change to the minimum wage*.

people gaining employment (compared to older workers) and could therefore encourage them to remain in education. The impact depends on the level of the minimum wage, the costs of education, the job opportunities available and young people’s perceptions of their employment prospects. For example, a weaker labour market may generally lead to an increase in the number of people enrolling in study programs.

174. A Hyslop and Stillman study (2011) found that the removal of the youth minimum wage in 2008 lowered the employment rate of 16 and 17 year olds by 3 to 6 percentage points within a two-year period of the law changing. Most of the workers affected were students. The study also found evidence that employment substitution increased for 18 and 19 year olds, i.e., jobs held by 16 and 17 year olds shifted to 18 and 19 year olds, also largely among the student population. In addition, the average hours worked by students between the ages of 16 and 19 fell relative to the hours worked by 20 and 21 year olds¹¹⁰

Families, household income and the interface with other government interventions

175. By household type, MBIE data from June 2020 identifies the following households have at least one minimum wage worker.

Table 13: Minimum wage earners by household type (June 2020)

Demographic (June 2020 HLFS data)	% of total minimum wage earners
Couple with dependent child(ren)	33%
Couple without dependent child(ren)	28%
Single with dependent child(ren)	10%
Single without dependent child(ren)	10%
Others	19%

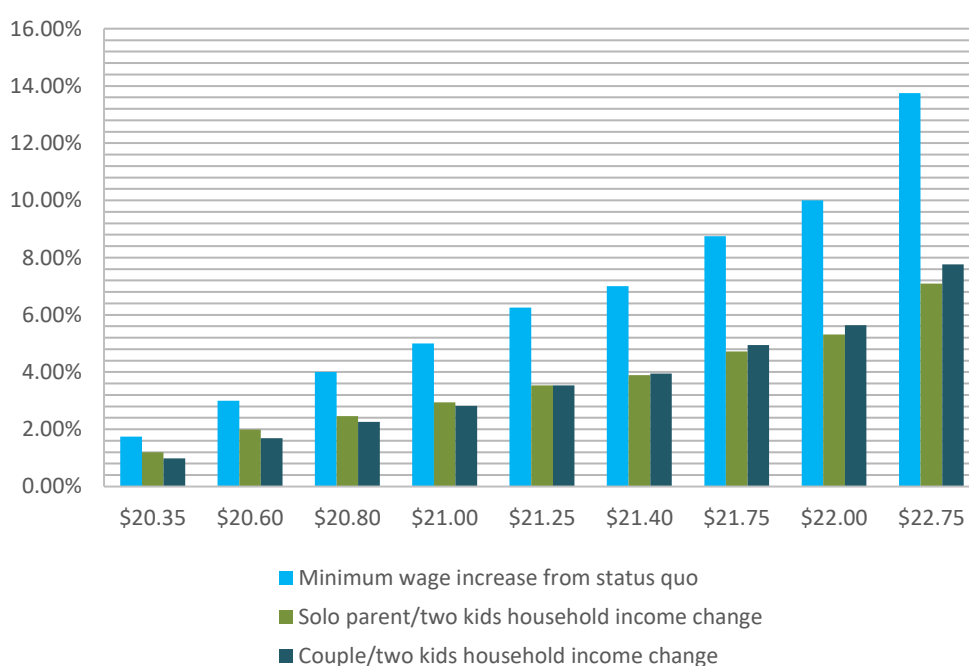
176. Wages are often only part of the income of low-income workers. There are a range of government interventions and initiatives aimed at protecting employment and increasing incomes. These interventions encompass labour market policies, the social assistance system, the taxation system, and education and training policies.
177. In many households, the total income will increase with the higher minimum wage, which will make it easier for minimum wage earners and their families to meet living costs. However, some households with a minimum wage earner will not receive the full financial gains of a minimum wage increase. That is because their higher level of income may reduce the amount of financial assistance they are entitled to receive through Government transfers, such as Working for Families and the Accommodation Supplement. This occurs as the amount of assistance someone is eligible to receive abates as the income of the recipient increases. The reduction in assistance paid out

¹¹⁰ Hyslop and Stillman, (2011).

will slightly offset the costs to Government of the minimum wage increase, although the extent of this cannot be quantified.

178. Figure 22 below compares the percentage increase of the various minimum wage options examined in this report to the estimated increase in household income (after government transfers) of two different family compositions. The family income is an average over three locations in New Zealand – Auckland, Whakatāne and Ashburton – identified overleaf. The figure shows that the increase in the minimum wage is not fully realised in increased household income due to abatements of government transfers.

Figure 22: Increases in minimum wage compared to increases in household incomes



179. The tables below and overleaf set out a summary of various scenarios that provide a clear illustration of the combined effect of a wage increase and the abatement of assistance on household incomes. These scenarios indicate the net gain for a sole parent with two children could be relatively small and even smaller for a couple with two children. The full set of scenarios can be found in **Annex Two**.

Table 14: A couple working a combined 60 hours per week at various minimum wage options with two dependent children living in various regions across New Zealand

Options		Auckland	Ashburton	Whakatāne
\$20.00	Combined household net earnings	\$52,573	\$52,573	\$52,573
	Government transfers after abatements	\$20,752	\$12,208	\$13,212
	Total annual household earnings	\$73,325	\$64,781	\$65,785
	Per cent increase in annual earnings	Nil	Nil	Nil
\$20.35 (+1.75%)	Combined household net earnings	\$53,458	\$53,458	\$53,458
	Government transfers after abatements	\$20,206	\$11,663	\$12,666
	Total annual household earnings	\$73,664	\$65,121	\$66,124

IN-CONFIDENCE

	Per cent increase in annual earnings	0.46%	0.52%	0.52%
\$20.60 (+3.00%)	Combined household net earnings	\$54,091	\$54,091	\$54,091
	Government transfers after abatements	\$19,816	\$11,272	\$12,276
	Total annual household earnings	\$73,907	\$65,363	\$66,367
	Per cent increase in annual earnings	0.79%	0.90%	0.89%
\$20.80 (+4.00%)	Combined household net earnings	\$54,597	\$54,597	\$54,597
	Government transfers after abatements	\$19,504	\$10,961	\$11,964
	Total annual household earnings	\$74,101	\$65,558	\$66,561
	Per cent increase in annual earnings	1.06%	1.20%	1.18%
\$21.00 (+5.00%)	Combined household net earnings	\$55,103	\$55,103	\$55,103
	Government transfers after abatements	\$19,192	\$11,012	\$11,652
	Total annual household earnings	\$74,295	\$66,115	\$66,755
	Per cent increase in annual earnings	1.32%	1.49%	1.48%
\$21.25 (+6.25%)	Combined household net earnings	\$55,736	\$55,736	\$55,736
	Government transfers after abatements	\$18,802	\$10,258	\$11,262
	Total annual household earnings	\$74,538	\$65,994	\$66,998
	Per cent increase in annual earnings	1.65%	1.87%	1.84%
\$21.40 (+7.00%)	Combined household net earnings	\$56,116	\$56,116	\$56,116
	Government transfers after abatements	\$18,568	\$10,024	\$11,028
	Total annual household earnings	\$74,684	\$66,140	\$67,144
	Per cent increase in annual earnings	1.85%	2.10%	2.07%
\$21.75 (+8.75%)	Combined household net earnings	\$57,001	\$57,001	\$57,001
	Government transfers after abatements	\$18,022	\$9,478	\$10,482
	Total annual household earnings	\$75,023	\$66,479	\$67,483
	Per cent increase in annual earnings	2.32%	2.62%	2.58%
\$22.75 (+13.75%)	Combined household net earnings	\$59,532	\$59,532	\$59,532
	Government transfers after abatements	\$16,462	\$7,918	\$8,922
	Total annual household earnings	\$75,994	\$67,450	\$68,454
	Per cent increase in annual earnings	3.64%	4.12%	4.06%

Table 15: A sole parent working 40 hours per week at various minimum wage options with two dependent children living in various regions across New Zealand

Options		Auckland	Ashburton	Whakatāne
\$20.00	Combined household net earnings	\$34,722	\$34,722	\$34,722
	Government transfers after abatements	\$29,499	\$22,011	\$21,959
	Total annual household earnings	\$64,221	\$56,733	\$56,681
	Per cent increase in annual earnings	Nil	Nil	Nil
\$20.35 (+1.75%)	Combined household net earnings	\$35,312	\$35,312	\$35,312
	Government transfers after abatements	\$29,317	\$21,829	\$21,777
	Total annual household earnings	\$64,629	\$57,141	\$57,089
	Per cent increase in annual earnings	0.64%	0.72%	0.72%
\$20.60 (+3.00%)	Combined household net earnings	\$35,734	\$35,734	\$35,734
	Government transfers after abatements	\$29,150	\$21,662	\$21,610
	Total annual household earnings	\$64,884	\$57,396	\$57,344
	Per cent increase in annual earnings	1.03%	1.17%	1.17%

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\$20.80 (+4.00%)	Combined household net earnings	\$36,071	\$36,071	\$36,071
	Government transfers after abatements	\$28,942	\$21,454	\$21,402
	Total annual household earnings	\$65,013	\$57,525	\$57,473
	Per cent increase in annual earnings	1.23%	1.40%	1.40%
\$21.00 (+5.00%)	Combined household net earnings	\$36,409	\$36,409	\$36,409
	Government transfers after abatements	\$28,734	\$21,246	\$21,194
	Total annual household earnings	\$65,143	\$57,655	\$57,603
	Per cent increase in annual earnings	1.44%	1.63%	1.63%
\$21.25 (+6.25%)	Combined household net earnings	\$36,831	\$36,831	\$36,831
	Government transfers after abatements	\$28,474	\$20,986	\$20,934
	Total annual household earnings	\$65,305	\$57,817	\$57,765
	Per cent increase in annual earnings	1.69%	1.91%	1.91%
\$21.40 (+7.00%)	Combined household net earnings	\$37,084	\$37,084	\$37,084
	Government transfers after abatements	\$28,318	\$20,830	\$20,778
	Total annual household earnings	\$65,402	\$57,914	\$57,862
	Per cent increase in annual earnings	1.84%	2.08%	2.08%
\$21.75 (+8.75%)	Combined household net earnings	\$37,674	\$37,674	\$37,674
	Government transfers after abatements	\$27,954	\$20,206	\$20,414
	Total annual household earnings	\$65,628	\$58,302	\$58,088
	Per cent increase in annual earnings	2.19%	2.48%	2.48%
\$22.75 (+13.75%)	Combined household net earnings	\$39,361	\$39,361	\$39,361
	Government transfers after abatements	\$26,914	\$19,426	\$19,374
	Total annual household earnings	\$66,275	\$58,787	\$58,735
	Per cent increase in annual earnings	3.20%	3.62%	3.62%

Feedback from the New Zealand Council of Trade Unions (NZCTU)

180. Each year, the NZCTU is invited to provide a submission on the minimum wage review.
181. The NZCTU recommends increasing the minimum wage from 1 April 2022 to \$22.75 per hour, which is the current Living Wage. It notes that this level of wage ensures that workers can pay for the necessities of life and participate as an active citizen in the community. It also reflects the basic expenses of workers and their families such as food, transportation, housing and childcare.
182. The NZCTU made the following statements to support this proposal:
- Inflation has been affecting those with the lowest incomes the most and has is nearly 40 per cent higher for those with the lowest 20 per cent of incomes over the past ten years (relative to the highest 20 per cent of incomes). Core inflation – food, fuel, rent, rates – has been running well ahead of general inflation. Workers on the minimum wage are also facing higher cost of living increases than those on higher incomes.
 - COVID-19 has demonstrated that essential workers are often minimum wage workers, and these workers should receive an adequate reward for their efforts and recognise their contribution in the fight against COVID-19

- Historically low levels of unemployment should give comfort that a higher level of minimum wage would not reduce employment. Unemployment is at 3.4 per cent, and there are high levels of demand in the labour market. There is increasing evidence that higher levels of minimum wages are not linked to higher levels of unemployment.
- Moving to a standard which is set by a third party is an important step in moving to a new system for setting the minimum wage. The NZCTU has agreed to a policy for a new tripartite body to set the minimum wage in the future, modelled on those currently used overseas.

183. The NZCTU also made the following points:

- The youth and training rates should be abolished, with all workers being paid at least the minimum wage.
- Over the past year inflation has increased significantly, with the Consumer Price Index now nearing³ 5 per cent on annual basis. Although this increase is likely to be short-lived, the impact will be significant on household budgets already stretched by COVID-19.
- Those with the lowest incomes are facing an inflation rate much higher than those with the highest rates of income. The gap in that inflation rate has grown over time, and there appears to be little convergence even with higher general inflation.
- Rents have continued to outpace general inflation, as demand for housing has increased alongside limited supply.
- On average, wages have not kept up with the latest round of inflationary pressures. Using the latest labour market data⁶, 82 per cent of New Zealanders received a pay rise lower than inflation last year. 42 per cent of New Zealanders did not receive⁷ a pay rise at all last year.
- There is now a tight labour market with relatively low unemployment and a number of studies have shown that the minimum wage doesn't have large impacts on employment.

Feedback from worker representatives

184. As part of this year's expanded review process, MBIE engaged in consultation with additional employee representatives and those that provided submissions and feedback are listed in **Annex Three**.

185. These submitters noted that the cost of living in New Zealand is becoming increasingly unaffordable, making it difficult to live on the minimum wage and impossible to save for the future. These submitters say that minimum wage increases are a key means of lifting household incomes and helping to reduce poverty and inequality. It was noted

that an increase would contribute to reducing ~~gender and ethnic~~ pay inequalities related to gender and ethnicity.

186. Submitters expressed support for the minimum wage increases over the previous years, noting that “workers on the minimum wage have seen real growth in their hourly earnings since 2017”. They noted that the positive effects include:
- Providing a wage floor and lifting household incomes that help to reduce poverty and inequality
 - More money circulating in the economy
 - Higher productivity
 - Provide incentives for businesses to innovate and invest in capital
 - Shows that “essential workers” are valued.

Effects of COVID-19 on workers

187. Submitters identified that the COVID-19 lockdown amplified experiences of poverty and hardship among low wage earners, who are also hardest hit by rising inflation. Inflation has been affecting those with the lowest incomes the most, meaning that workers on the minimum wage are facing higher cost of living increases than higher earners. People on low incomes had limited ability to stock-up on food, were unable to travel to a food bank to receive support, and were dependent on support from government and community-based social services. The Salvation Army noted that people who had not previously needed to seek help have been pushed over the line by COVID-19 and its impacts on low wage workers in particular, and the NZCCSS said their members observe that “the poverty line is moving, and those who were previously managing are no longer able to.”
188. They noted that COVID-19 has resulted in many workers losing their jobs. The Salvation Army noted that young people, Māori, women, and specific regions like Northland and Auckland and sectors like hospitality and retail have been most impacted. These submitters said that people from these groups are most likely to be employed in roles that pay minimum wages, so they would benefit most from rate raises.

Minimum wage rates

189. All submissions from worker representatives supported an increase in the minimum wage in 2022, and all but one suggested that the minimum wage should be lifted in 2022 to align with the Living Wage, currently \$22.75 per hour.
190. All submissions also supported a three-year program of indicative rates to support planning for their programmes, and give employers, workers, and social/worker support organisations more predictability.

Minimum wage rates in future

191. Worker representatives had suggestions for how the process for setting the minimum wage rates could be altered in the future. This year most groups advocated to set the minimum wage at the Living Wage rate, as calculated by Living Wage Aotearoa.
192. The NZCCS continues to support the indexing of the minimum wage review to inflation, CPI or another evidence-based calculation that takes in to account the actual cost of living in Aotearoa New Zealand suggest that the Minimum Wage Review should occur at the same time as the publication of the quarterly Consumer Price Index.
193. The PSA indicated that it sees merit in taking into account both the Labour Cost Index and also the Household Living Costs Price Index, which would allow a closer focus on cost increases for households earning the minimum wage.

Other suggestions

194. The Salvation Army noted that the Government needs to increase training, skills, and productivity. The Salvation Army says the Government should fund, and contract for, work in such a way that allows organisations to be good employers and pay fair wage rates.
195. The NZCCSS stated that any increases to wage rates should not reduce transfer payments received by low income households, such as the Accommodation Supplement. A policy is needed to ensure that any increase to the minimum wage does not impact on transfers intended to support low income families, such as the Accommodation Supplement and Working Families. NZCCSS supports a higher abatement rate, across income support benefits, so that any increase to the minimum wage is not reduced when considered against the abatement rate of specific transfers.
196. First Union asks that MBIE investigate regulatory options to encourage collectively-bargained wages to move in line with minimum wage increases, including through the development of Fair Pay legislation or by amending the Employment Relations Act. The PSA also raised support for Fair Pay Agreements.
197. The NZCTU, E tū and the PSA suggested that the Starting out and Training wage rates penalise workers that are young and seeking to attain qualifications, and should be abolished.

MBIE comment on submissions by worker representative organisations

198. The NZCTU's proposal to increase the minimum wage to \$22.75 has been assessed as one of the options in this paper.
199. The CTU's rate proposal would substantially increase the real incomes of 475,900 low-paid workers with higher restraint on employment (-21,100). This option is likely to result in substantial increases in wage costs for employers (\$1,317 million) across the

economy which increases the risk that low-paid workers become unemployed as employers continue to focus on survival and recovery. As the minimum wage increases, businesses may also choose to employ higher skilled workers to improve productivity and limit the necessity to adjust their entire pay scales to accommodate a new base, which may limit access to the labour market for youth and unskilled workers.

200. We consider that the inflationary impacts of increasing the minimum wage (+0.42 per cent) are likely to be negligible in the current low interest rate environment when assessed alongside the other inflationary pressures present in the economy.
201. MBIE considers that a differential between the adult minimum wage and the training and starting-out rates may support the transition of youth into employment and helps further the policy objective of incentivising employers to take on and support less experienced workers and trainees.

Section Eight - Impacts on employers

202. Changes to the level of the minimum wage can affect not just those receiving the minimum wage but also those who are paid close to it. When the minimum wage increases, some employers increase the wages of workers paid above the minimum wage to maintain wage relativity to the minimum wage. The flow-on effect is also considered to be a consequence of employers benchmarking wage increases to the minimum wage, as regular increases to the minimum wage rate can be useful starting point for their initial wage-setting.

Impact on sectors

203. The impact of a minimum wage increase on each sector depends on the number of employees earning the minimum wage and close to it in those sectors. In New Zealand (and in many countries), employers in the hospitality, retail, and manufacturing sectors are more likely to have staff paid at, or close to the minimum wage than employers in the professional/technical services, and health industries.

204. The table below provides an overview of the number of minimum wage earners in different sectors. The hospitality and retail sectors have the greatest number of minimum wage earners in 2021 with 33,900 and 35,600 employees, respectively (more than 29.5 and 18.4 per cent of workers in those sectors). The corresponding figures in 2020 were 12,500 and 15,600, respectively. Other sectors with a high number of minimum wage earners are manufacturing (15,300 in 2021 vs 4,700 in 2020), health (10,500 vs 3,800) and administrative services (8,700 vs 2,900).

Table 16: Minimum wage workers by sector

Sector	Workers		Working Hours	Their Earnings
	% of total workers on the minimum wage	Number of minimum wage workers	% of total hours worked by minimum wage workers	% of total earnings by minimum wage workers
Hospitality	29.5%	33,900	21.6%	18.2%
Retail	18.4%	35,600	13.8%	9.9%
Administrative Services	15.5%	8,700	11.5%	7.9%
Arts and Recreation	14.3%	5,200	10.3%	5.9%
Other Services	8.7%	6,600	5.9%	3.8%
Manufacturing	7.3%	15,300	6.1%	3.8%
Agriculture	7.3%	5,600	5.6%	3.8%
Wholesale	7.2%	6,200	5.7%	3.3%

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Real Estate	7.0%	2,200	4.1%	2.3%
Construction	5.6%	9,700	4.6%	2.9%
Transport and Storage	5.3%	4,700	4.2%	2.5%
Health	4.3%	10,500	3.0%	1.7%
Education	3.9%	7,400	2.5%	1.5%
Public Administration	2.2%	3,300	1.8%	0.9%
Professional Services	1.8%	2,800	1.2%	0.6%
Information and Telecommunications	S	S	0.6%	0.3%
Utilities	S	S	0.5%	0.2%
Finance	S	S	0.2%	0.1%
Mining	S	S	S	S
Total	7.8%	160,600	5.5%	3.2%

205. As noted previously, recent increases in the minimum wage have been higher than median wage growth, which has compressed the wage distribution curve more towards the median wage, steepening the lower wage side and increasing the numbers of employees who are directly affected. In some sectors this effect is exacerbated due to there being an even larger number of workers who are paid wages that are only a small margin above the minimum wage. This substantially increases the numbers of workers in a particular sector, who will benefit from a wage increase.
206. Equally, this increases the wage burden on the employees in those sectors who need to pay the additional wages. Sectors that have been most affected by COVID-19, hospitality, retail trade, administrative services and arts and recreation are also the sectors that have the highest number of minimum wage workers as a proportion of their workforces. This makes the businesses in those sectors the most vulnerable to larger minimum wage increases.

Impact on regions

207. The impact of the minimum wage in the regions is determined, in part, by understanding both the number and proportion of minimum wage earners in that region. Table 17 provides an overview of the number of minimum wage earners across New Zealand. As expected, Auckland continues to be the region with the greatest number of minimum wage earners, due to its size.
208. However, the proportion of minimum wage workers compared to all workers in each region provides a different story than the actual number of workers. This year's modelling indicates that the combined Nelson/Tasman/Marlborough/ West Coast region has a higher proportion of workers earning the current minimum wage than other regions, making up 9.4 per cent of all workers. Other regions with high proportions of minimum wage earners include Manawatū-Whanganui at 8.9 per cent, Taranaki at 8.6 per cent, and Auckland at 8.3 per cent.

209. These figures show an increase in the incidence of minimum wage rates as the minimum wage rises. There are substantially higher proportions of workers on the current minimum wage rate than in the 2020 Minimum Wage Review. The lowest proportion of workers earning the current \$20.00 minimum wage is in Wellington, at 6.2 per cent; this exceeds last year's highest proportion of workers earning the then minimum wage of \$18.90, at 5.0 per cent of all workers in the Manawatū-Whanganui region. Other regions with a high proportion of minimum wage earners in 2020 included Otago (3.9 per cent), Nelson/Tasman/Marlborough/ West Coast (3.6 per cent), Taranaki (3.3 per cent) and Bay of Plenty (3.3 per cent).
210. As the minimum wage increases, capturing more workers on higher wage levels, so does the proportion of workers in each region who are captured by the minimum wage. An important point to note is that the percentage of workers who earn the minimum wage tends to re-equalise to 3 – 4 per cent (nationally) over the following 12 to 18 months as other wages change. So the percentage of the total workforce earning the minimum wage at higher rates regionally (e.g. 28.9 per cent of workers in Southland for the \$22.75 option shown overleaf) is unlikely to eventuate in reality.
211. Recovery from the impacts of Covid-19 has been uneven across the regions, with hospitality, tourism, and events operators significantly affected by ongoing travel restrictions, especially in areas like South Westland and Te Anau. The Regional Skills Leadership Groups have observed that businesses and sectors that have been able to pivot their business models to accommodate lockdowns, such as online delivery services, are generally doing well, but those businesses and sectors unable to adapt from traditional trading practices are struggling. Tāmaki Makaurau has been particularly affected by the repeated COVID-19 lockdowns. Tight labour markets and skills shortages are noticeable across the country, and wage growth is being seen in some sectors in response to the difficulty in attracting workers. Severe skill shortages and supply chain challenges are impacting on employer and staff wellbeing, and business viability.

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Table 17: Number of minimum wage workers in each region (and as a percentage of all workers in each region)

Options	Northland	Auckland	Waikato	Bay of Plenty	Gisborne/ Hawkes Bay	Taranaki	Manawatu- Whanganui	Wellington	Nelson/Tasman/ Marlborough/ West Coast	Canterbury	Otago	Southland
\$20.00 (Status quo)	4,900 (7.8%)	58,900 (8.3%)	13,200 (7.0%)	9,500 (7.8%)	7,200 (8.2%)	3,900 (8.6%)	9,100 (8.9%)	15,300 (6.2%)	7,100 (9.4%)	21,900 (8.2%)	6,700 (6.9%)	2,900 (7.0%)
\$20.35	5,700 (9.1%)	64,800 (9.2%)	15,100 (8.0%)	11,300 (9.2%)	8,200 (9.4%)	4,800 (10.5%)	11,200 (10.9%)	17,800 (7.2%)	7,900 (10.4%)	24,500 (9.1%)	8,000 (8.3%)	3,800 (9.2%)
\$20.60	6,900 (11.0%)	72,100 (10.2%)	18,300 (9.7%)	12,700 (10.4%)	9,100 (10.4%)	5,200 (11.4%)	13,400 (13.1%)	20,900 (8.4%)	8,600 (11.4%)	27,000 (10.1%)	9,700 (10.0%)	4,100 (10.0%)
\$20.80	7,400 (11.8%)	75,400 (10.7%)	18,900 (10.1%)	13,400 (11.0%)	9,800 (11.2%)	5,500 (12.1%)	14,000 (13.6%)	21,300 (8.6%)	8,900 (11.8%)	28,000 (10.4%)	10,100 (10.4%)	4,500 (10.9%)
\$21.00	8,300 (13.3%)	78,600 (11.1%)	20,400 (10.9%)	14,200 (11.6%)	10,300 (11.8%)	5,600 (12.3%)	14,700 (14.3%)	23,200 (9.3%)	9,600 (12.7%)	30,200 (11.2%)	10,700 (11.1%)	4,500 (10.9%)
\$21.25	9,700 (15.5%)	104,400 (14.8%)	27,400 (14.6%)	18,200 (14.9%)	13,100 (15.0%)	7,600 (16.7%)	18,900 (18.4%)	28,300 (11.4%)	13,500 (17.8%)	37,300 (13.9%)	14,900 (15.4%)	7,500 (18.2%)
\$21.40	9,900 (15.8%)	107,000 (15.1%)	28,300 (15.1%)	18,800 (15.4%)	13,300 (15.2%)	7,700 (16.9%)	19,400 (18.9%)	29,400 (11.8%)	13,900 (18.4%)	38,700 (14.4%)	15,200 (15.7%)	7,600 (18.4%)
\$21.75	11,600 (18.6%)	120,100 (17.0%)	31,400 (16.7%)	21,400 (17.5%)	14,500 (16.6%)	9,200 (20.2%)	21,400 (20.9%)	32,500 (13.1%)	15,600 (20.6%)	43,800 (16.3%)	17,800 (18.4%)	8,300 (20.1%)
\$22.75	15,700 (25.1%)	160,900 (22.7%)	44,800 (23.9%)	28,700 (23.5%)	21,000 (24.0%)	12,400 (27.3%)	29,300 (28.6%)	45,400 (18.3%)	21,300 (28.1%)	60,600 (22.6%)	24,100 (24.9%)	11,900 (28.9%)

Feedback from BusinessNZ

212. BusinessNZ was invited by the MBIE to provide a submission on the 2021 minimum wage review. BusinessNZ's basic approach to the minimum wage remains unchanged from previous years.
213. However, they noted that COVID-19 has placed severe constraints on many businesses, particularly small to medium sized enterprises and cashflows are extremely tight in areas typically employing the highest concentrations of those on or about the minimum wage, such as tourism, horticulture, agriculture, hospitality and retail. They suggested caution when considering future increases to the minimum wage, noting that there have been calls for nil increases to take pressure of businesses.
214. BusinessNZ recommended that conservative increases be set on a year-by-year basis, based on a rolling average of movements in the CPI or LCI (or both), until such time as economic stability is regained. They suggested that, rather than setting absolute amounts for the next three years, a decision could be made for 2022 and indicative increases forecast for the following two years.
215. Employer representatives Some submitters highlighted the risk of reduced employment opportunities, particularly for youth and those without qualifications. They argued that New Zealand has a high minimum wage and further increases do not increase productivity. Employers submitted that minimum wage increases incentivise businesses to automate their operations or move them offshore, cut jobs, reduce hours or shift to hiring more skilled, higher wage employees.
216. BusinessNZ noted that this is not a long-term solution and a thorough review of the minimum, wage was still required, as recommended in their 2020 submission. This noted that:
- The approach to the minimum wage should be moved away from a rate per hour to a requirement that a worker's average wage not fall below the minimum wage set by the Act.
 - There should be a review of the role and effect of the minimum wage, given the diverse and dynamic working conditions today, in particular the impacts of COVID-19, which differ from when the minimum wage wage first implemented in 1945.
 - Account should also be taken of the effects of the Working for Families Scheme and other transfer payments on the incomes of those on the minimum wage.
 - The minimum wage should be set as a percentage of the median wage.
 - Future increases to the minimum wage should be no greater than inflation.

Feedback from employers

217. In this year's review, MBIE focused on consulting with organisations representing businesses who employ a high proportion of minimum wage workers and who may have been disproportionately affected by the COVID-19 pandemic. Employers and employers representatives that provided submissions and feedback are listed in **Annex Three**.

Effects of COVID-19

218. Submitters noted that the COVID-19 lockdowns in 2020 and 2021 have placed considerable financial pressure on employers. Submitters expressed that it was "Any extra forced cost on our business given the current times are unfair and extremely frustrating."¹¹¹ Many businesses could not operate during Alert Level 4, and are facing extra costs as a result of COVID-19 alert level rule compliance. Costs include elevated expenditure on personal protective equipment (PPE), perspex screens, increases in absence due to sick leave, extra cleaning, the single server requirement and single use items.
219. Employer organisations submitted that the effects of COVID-19 are resulting in job losses and business closures. The Employers and Manufacturers Association (EMA) notes high levels of business debt and Retail NZ reports 75 per cent of retailers self-reporting that they did not meet sales targets in the last quarter, while one one-third of survey respondents were not sure their business would survive the next twelve months.
220. The minimum wage is viewed as a key component of many business' rising costs, even as rents, supply chain costs, other government interventions (such as 10 days' sick leave) and inflation also add pressure. The Restaurant Association states that "despite all the challenges of remaining viable during a pandemic, 90 per cent of our Members consider changes in the minimum wage to be a priority issue. At the same time, the sector continues to contend with price-sensitive consumers, meaning increased labour cost and rising cost of goods are more often than not, absorbed by the business."

Effects of minimum wage increase

221. Many employers noted that minimum wage increases are resulting in significantly increased costs for their businesses, which makes contracts unprofitable in low margin industries. Employers noted that compliance costs are increasing. Many are worried about the cumulative effects of a minimum wage increase, increased sick leave and an additional public holiday during a time when they are "struggling to survive."¹¹²
222. Submitters remarked on increased pressure to raise wages of workers who are earning above the minimum wage. Many of this year's submissions noted issues with wage compression as the minimum wage catches up to the median wage can have a

¹¹¹ New Zealand Restaurant Association

¹¹² Export/Manufacturing NZ

demoralising effect on staff who are not rewarded for higher contributions and experience. According to the EMA, maintaining relativity among existing staff in the workplace has proved a disincentive to hiring minimum wage workers at \$20 per hour, with employers instead opting to hire slightly more experienced workers at slightly higher rates instead.

223. Employers note it is becoming increasingly difficult to pass on costs to customers, particularly in a COVID-19 climate. One submitter notes that “a consumer would not stomach a 6 per cent increase on the price of their meal out.” The NZ Aged Care Association notes that aged residential care providers “are not able to set the price they charge their residents, so cannot recoup cost increases by raising prices.”
224. Employers note that increased costs result in contracting out roles, or contracts going to tender and encouraging a “race to the bottom in the industry.” Others note that it encourages employers to shift to paying piece rates or unethical employment practices.
225. Some submitters note that minimum wage increases have no significant effect on the recruitment and retention of workers. However, some employers say they “have become more selective with new recruits and are more reluctant to take a risk on younger or less qualified recruits.”¹¹³
226. Employers say that businesses will be financially restrained from investing in research and development to increase productivity, adapt to climate change, and develop in order to remain internationally competitive.

Submitters’ suggestions on what the minimum wage should be in 2022, and on how minimum wages should be set in the future

227. Several employer representatives suggested that minimum wage increases should be put on hold until 2023, or after New Zealand has recovered from COVID-19 and/or until international travel restrictions are lifted.
228. Most employer representatives strongly supported the provision of indicative rates for a three-year period, as this will provide employers with more certainty of future cost increases, and allow this to be signalled to customers and included within long-term contract planning. The NZ Security Association noted that “this is important given that many larger contracts are on two or three year terms and with specified pricing”.
229. Employers also supported linking the minimum wage to a recognised index as an appropriate manner in which to maintain relativity. The CPI was most commonly suggested as an appropriate index by submitters.
230. Several submitters raised concerns with indexing against current inflation rates, which have risen sharply in 2021. Federated Farmers and the Process Vegetables Group assessed that current inflation rates are temporary but would be locked in by any wage

¹¹³ New Zealand Security Association

rises. Both groups cautioned against imbedding high rates of inflation by attaching the next minimum wage increase to the current inflation rate. Where submitters raised the use of inflation as a basis to preserve the value of wages, they suggested no more than a 2 per cent increase.

231. Submitters also made the following suggestions:

- reduce tax rates for businesses
- relax immigration controls
- reduce red tape for businesses
- cancel or defer other planned changes to employment law (e.g. the increase in sick leave, extra public holiday)
- lower the lowest tax rate or provide additional social security support
- provide cash injections for businesses who cannot afford to pay the minimum wage
- adjust benefit threshold rates
- remove secondary tax for workers where the industry supports the multiple employer scenario
- increase training and skills
- provide tax incentives for innovation, automation and increased productivity.

232. Employer representatives also requested that any changes in the minimum wage rates are announced early in order to give employers time to prepare.

MBIE comment on employer submissions

233. MBIE has considered the submissions from BusinessNZ and other organisations representing employers as part of its review of the minimum wage.

234. MBIE notes that BusinessNZ's proposed approach for setting the rate in 2022, 2023 and 2024 is not dissimilar to the proposals in this paper. However, MBIE recommends rate figures based on inflation that should be reviewed annually rather than referring to the inflation indices alone. We consider that this provides a clearer communication of intent and is likely to be better understood by employers and workers.

235. While a short-term moratorium to be placed on minimum wage increases would help support businesses and other employers from the recessionary impacts of the COVID-19 pandemic, MBIE considers that the policy intent is that the real incomes of workers should also be preserved. If such a moratorium is applied for too long or during a period of high inflation, there is a risk that workers incomes would start being eroded by inflation over time and would not keep pace with increasing costs, particularly for housing.

Section Nine - Impacts on government

236. Increases to the minimum wage are expected to have direct and indirect fiscal impacts for some government agencies. This section summarises these estimated impacts.
237. The Ministry of Social Development, Accident Compensation Corporation, Ministry of Education, New Zealand Defence Force, Oranga Tamariki, Ministry of Health and Inland Revenue were identified as the agencies most likely to be affected by any change to the minimum wage rate. MBIE requested feedback on anticipated material impacts.
238. In addition, MBIE canvassed over thirty Public Service and Non-Public Service Departments to learn whether the proposed minimum wage options would be expected to have a direct material impact, or an impact on departments under their oversight. Most of the agencies reported no material impact from anticipated increases to direct costs since their remuneration rates are currently above the current Living Wage. The **NZ Police** identified that there would be some direct cost implications for increased staff remuneration for the agency and the **Ministry for Culture and Heritage** noted that there were staff remuneration cost implications in some government funded entities that they have oversight of.
239. Likewise, a number of agencies projected no fiscal pressure from payments to service contractors, particularly as the Government is now requiring new public service contracts to pay the current living wage of \$22.75 to cleaners, caterers and security services personnel. Others reported that their ability to fund those contracts could be impacted as a result of minimum wage increases.
240. In summary, total annual costs to Government directly related to a minimum wage increase are estimated to be (in millions):¹¹⁴
- Option 1 (\$20.00): \$0
 - Option 2 (\$20.35): \$14.9 million
 - Option 3 (\$20.60): \$25.3 million
 - Option 4 (\$20.80): \$33.7 million
 - **Option 5 (\$21.00): \$43.0 million**
 - Option 6 (\$21.25): \$52.9 million
 - Option 7 (\$21.40): \$59.4 million
 - Option 8 (\$21.75): \$76.5 million
 - Option 9 (\$22.75): \$135.9 million
241. The **Ministry of Health** identified that there would be no direct workforce cost implications for the Ministry. The main areas in the health sector where a minimum

¹¹⁴ These figures are subject to their own assumptions and caveats based on the individual methodologies used by each agency.

wage increase is likely to have a fiscal impact are increased funding costs for increased wages for third party employers and additional costs that result from programmes or policies linked to the minimum wage or wage indices.

242. The Ministry advises that it and DHBs are not able to meet the indirect costs of the increased minimum wage rates proposed by MBIE out of baseline funding and would require additional government funding to:

- ensure service providers are sufficiently funded to pay staff at the increased rates (and therefore ensure continuity of service provision)
- meet government funding commitments to pay minimum rates found in settlement Acts (in-between travel and sleepovers).

243. The **Accident Compensation Corporation (ACC)** advises that minimum wage increases up to \$22.10 would not have any direct staffing costs. However, increases beyond this point are expected to have an impact on funding for third-party employers and weekly compensation reports.

Table 18: Indicative increased costs for the Accident Compensation Corporation

Option	Funding for third-party employers (\$)	Weekly compensation costs (\$)	Total (\$)
\$20.35	2,292,644	1,330,787	3,623,431
\$20.60	3,930,247	2,281,350	6,211,597
\$20.80	5,240,329	3,041,800	8,282,129
\$21.25	8,188,014	4,752,812	12,940,826
\$21.40	9,170,576	5,323,150	14,493,726
\$21.75	11,463,220	6,653,937	18,117,157
\$22.75	18,013,631	10,456,187	28,469,819

244. In addition to anticipated third-party funding and weekly compensation costs, a minimum wage increase is expected to impact ACC’s outstanding claims liability (OCL). The OCL is an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims.

245. Changes in the OCL will have an impact on the solvency of the ACC scheme (the measure of ACC’s assets to liabilities). Any additional funding required will be sought through the levy setting process and government appropriations per ACC funding policy. For the proposed rate of \$21.00, the estimated OCL impact is \$105 million. The estimated impacts associated with each option are outlined in Table 18 overleaf.

Table 19: Anticipated cost impacts to ACC's OCL

Option	OCL impact – funded support services (\$)	OCL impact – weekly compensation costs (\$)
\$20.35	-	-
\$20.60	30,000,000	20,000,000
\$20.80	70,000,000	40,000,000
\$21.25	150,000,000	85,000,000
\$21.40	180,000,000	100,000,000
\$21.75	250,000,000	140,000,000
\$22.75	440,000,000	260,000,000

246. Recommended levy rates have been provided for the 2022/23, 2023/24, and 2024/25 levy years as part of the 2021 levy consultation. ACC expects final rates to be confirmed by Cabinet on 29 November 2021. This means that the levies for these three years can't be adjusted, so the actual impact will be zero. The next opportunity to set of rates will be in 2024 for the 2025/26, 2026/27 and 2027/28 levy years. The Non-Earners' Account appropriation for 2022/23 has already been approved through the October Budget Update.
247. The following table shows the estimated levy rate impacts each option will have on the levied accounts. Note these are mid points of the range of estimates.

Table 20: Anticipated additional funding required for ACC

	\$20.35	\$20.60	\$20.80	\$21.25	\$21.40	\$21.75	\$22.75
Motor Vehicle Account	\$0.00	\$0.25	\$0.68	\$1.67	\$2.01	\$2.82	\$5.20
Earners' Account	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.02
Work Account	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.02

248. The additional funding requirements would need to be included in the forecast costs for the 2023/24 year and out years as set out in the table below.

Table 21: Anticipated additional funding required for ACC

Option	Funding for third-party employers (\$)
\$20.35	-
\$20.60	1,000,000
\$20.80	4,000,000
\$21.25	9,000,000
\$21.40	11,000,000
\$21.75	15,000,000
\$22.75	27,000,000

249. The **Ministry of Social Development (MSD)** advises that the change to the minimum wage would not have a direct effect on their wage costs. MSD adopted the Fair Pay approach in setting starting salaries from 2 April 2018, meaning the minimum starting salary is the Living Wage.
250. MSD has anticipated a rise in expenditure for external cleaning contracts over the next year that is aligned to a CPI increase of 3.3 per cent but do not expect any additional costs for cleaning unless the minimum wage rate is lifted to \$21.25 or above. For funded support, a proportion of expenditure will be minimum wage roles or roles that are affected by relativity to minimum wage. This is assumed at 15 per cent of overhead (admin support type roles and those affected by relativity) with around 6 per cent of contract value impacted by any increase.
251. All marginal costs relate to MSD's Home Help programme, which provides financial assistance to eligible people who require temporary part-time help to complete domestic tasks (normally performed in their homes). MSD increases the Home Help hourly rate by the same percentage as any increase in the minimum wage. This ensures that the amount paid for home help workers does not fall below the minimum wage. Home Help is a component of the Special Circumstance Assistance BoRE (Benefit or Related Expense) appropriation in vote Social Development. It is demand driven and any additional spending expected to result from the setting of the minimum wage will be sought, as a forecast change, in the Budget 2022 process. The largest option (Option 9) would add about 11 per cent to Home Help, but about 2.5 per cent to the current Special Circumstance Assistance appropriation. Any additional funding for Home Help will likely be managed within existing baselines.
252. Increases in the minimum wage will have an indirect impact on New Zealand Superannuation and main benefit rates as these are now indexed to the net average wage (since 1 April 2020). Any fiscal impact will be treated as a forecast change through Budget 2022.
253. The **Ministry of Education** noted that, as an increase to the minimum adult rate of up to and including \$21.75 per hour will be below the minimum rates by April 2022 in the non-teaching employment agreements, in theory there would be no additional cost where schools are paying these rates. However, while there has been a concerted effort has been made to ensure all schooling staff are employed on current agreements, there may some workers are paid based on historic employment agreements that may be below these rates.
254. An increase in the minimum wage rate to \$22.75 per hour would exceed the current minimum pay rates in the non-teaching employment agreements. As salary costs for non-teaching staff are met by schools, such an increase to the minimum rate would be a cost pressure for school funding.
255. **Inland Revenue** advised that the direct fiscal impacts to them would be negligible, and that the impact on their policies cannot be quantified. It is probable a minimum wage increase would result in slightly less tax revenue collected but also slightly less

government expenditure on income-tested dependent forms of social assistance. The net effect on government’s revenue-less-expenditure for Inland Revenue administered products is therefore unlikely to be substantial.

256. Similar to previous years, while it is not possible to quantify the exact impacts, the following outcomes are expected:
- a minimum wage increase could lead to decreased spending as a result of lower entitlements being paid out due to higher abatement rates of welfare benefits and other social assistance (eg Working for Families Tax Credits)
 - the number of people required to make student loan repayments could increase, as well as the repayment rates attached to the loans
 - the amount of KiwiSaver contributions could rise, which could increase costs for employers if more people receive their full member tax credit entitlement
 - it is expected that PAYE tax paid by employees will increase, but government revenue is likely to be offset by a decrease in corporate tax paid by employers (as wages are a line item expense, i.e. deductible from employer gross revenue)
 - an increase in the minimum wage may lead to more people having more disposable income, which could result in greater consumer spending and the collection of more GST.
257. The **New Zealand Defence Force (NZDF)** advised that raising the minimum wage would affect NZ Cadet Force cadets, some casual employees, and members of the Regular and Territorial Forces in the ranks of Private(Equivalent) and Lance Corporal (Equivalent). All civilian employees are at or above the \$22.75 living wage rate.
258. The NZDF estimates additional costs associated with a minimum wage increase to \$21.00 have been identified as a cost pressure and included as part of the NZDF’s Budget 2022 funding bid. Costs associated with other options have not been detailed in the Budget bid. Any decision to absorb the cost internally or seek additional funding would be dependant on the rate approved by Cabinet.

Table 22: Anticipated additional funding required for NZDF

Rate option	Additional Marginal Cost
\$20.35	\$149,000
\$20.60	\$259,000
\$20.80	\$347,000
\$21.00	\$439,000
\$21.25	\$559,000
\$21.40	\$631,000
\$21.75	\$802,000
\$22.75	\$1,306,000

Section Ten - Setting the rate

259. This section summarises the assessment of the options to increase the minimum wage rate for the Minimum Wage Review 2020. Key information relating to each option is collated, including predicted impacts generated by MBIE's minimum wage model on inflation, wages growth and restraint on employment.
260. The Review also considers the following additional factors identified by the Minister for Workplace Relations and Safety:
- the relativity of the minimum wage to welfare benefits, to the average and median wages in New Zealand, in other OECD countries and to Living Wage Aotearoa's Living Wage
 - the relativity to household living costs, in particular the cost of housing, and the financial needs of workers and their families
 - the effects of minimum wage increases on personal and household incomes of minimum wage workers, after tax and social transfers
 - impacts on specific groups, such as Māori and Pacific people, women, and those with a disability
 - the impacts on different employers, including small, medium and large businesses, export and import reliant businesses and other employers such as charities
 - impacts on and viability of sectors that have been most significantly affected by COVID-19 and have high proportions of minimum wage workers, for example, tourism, accommodation, retail, hospitality, manufacturing
 - the proposed minimum wage level in 2022 and trajectory for increases in 2023 and 2024, assessed in comparison with household living and economic performance/measurement benchmarks.
261. These factors provide useful contextual information and additional insights into the impacts of minimum wage increases. Although it has not always been possible to quantify these additional factors in respect to each option, a number of broad conclusions can be drawn:
- The gross earnings of workers, families, and households will increase as the minimum wage increases and this may make it easier for minimum wage earners and their families to meet living costs. However, because tax and social transfers (eg Working for Families, Accommodation Supplement) are designed to assist low paid workers, particularly those with dependent children, the net increase to household incomes can be reduced, often markedly. A higher level of increase to the minimum wage would result in a greater net increase in household incomes.

- Those most likely to benefit from minimum wage increases (eg youth, females, Māori and Pacific People working in the hospitality, retail, manufacturing and administrative services sectors) are also likely to be more impacted by reduced hours or lower jobs growth.
 - The minimum wage is currently set at a level where individuals and families working full-time are generally above income poverty line measures (assuming they are receiving their full and correct entitlements to tax and social transfers). However, minimum wage increases may reduce poverty rates for households that do not work full-time hours or do not receive social transfers. They may also have some impact on rates of material hardship.
 - The impact of minimum wage increases vary across employers and sectors. Employers with a large number or proportion of minimum wage earners are most likely to be impacted.
 - Sectors that have been severely affected by COVID-19 are those that have a larger proportion of staff on minimum wage. Some employers, particularly in the hospitality, tourism, retail, transport, manufacturing and construction sectors, could respond to a minimum wage increase by cutting labour costs through reducing hours, taking on less workers, and cutting jobs.
262. The objective of the minimum wage review is to *'keep increasing the minimum wage over time to protect the real income of low-paid workers while minimising job losses'* (CAB Min (12) 41/5B refers).
263. **Option 1 (\$20.00)**, which is the current adult minimum wage rate and status quo, would not constrain employment growth and there would be no impact on national weekly wage earnings or inflation. It would have no marginal fiscal cost to government. However, Option 1 would reduce the real value of the current minimum wage paid to about 169,900 workers and is therefore not consistent with the objective of the minimum wage review. ***MBIE does not recommend Option 1.***
264. Similarly, while **Option 2 (\$20.35)** would match the inflation rate forecast in Treasury's BEFU in May 2021, the reported inflation rate in the year to September 2021 has risen to 4.9 per cent. The ANZ Bank now expects inflation to rise higher to around 5.8 per cent by March 2022. This means that **Option 2** along with **Options 3 (\$20.60) to 4 (\$20.80)** are also unlikely to meet the minimum wage reviews objective of maintaining real incomes of New Zealand's lowest paid workers. Options 5 to 9 do achieve this objective so ***MBIE does not recommend Options 2, 3 or 4.***
265. The estimated restraint on employment of a minimum wage increase for **Options 2 (\$20.35) to 7 (\$21.40)** is between 0 and -7,900 respectively. In comparison, in 2018, 2019 and 2020, the estimated restraint on employment for the recommended minimum wage rates were -8,000, -6,500 and -9,000 respectively. So, the estimated restraint on employment for these options are comparable to effects that were considered acceptable in previous years. ***MBIE does not recommend Options 8 (\$21.75) and 9 (\$22.75).*** The restraint figures for these options exceed previous years,

which could put pressure on the labour markets ability to absorb workers that experience negative employment effects for the minimum wage increase.

266. MBIE has previously noted its concern at the increasing number of people who are likely to be affected by a minimum wage increase and the likely additional costs to employers of funding the increase. The key factor in determining the recommended option is the estimated additional annual economy-wide increase in wages.
267. Of the remaining options that meet the review objective, **Option 5 (\$21.00)** provides the best balance between the number of people that benefit from an increase (230,300) and the estimated economy-wide wage increase for employers (\$278 million). In comparison, for an increase in the minimum wage to \$20.00 in 2021, an additional annual economy-wide increase in wages was \$216 million. Increasing the minimum wage to higher levels (**Options 6 to 9**) increase the economic costs considerably and will put additional pressure on employers, particularly in vulnerable sectors that have been hardest hit by the effects of the COVID-19 lockdowns.

Options analysis summary

Table 23: Summary of employment impacts for the five minimum wage options

Minimum wage rate impact measures	Option 1	Option 2	Option 3	Option 4	Option 5 (Recommended)	Option 6	Option 7	Option 8	Option 9
Adult minimum wage (hourly rate)	\$20.00	\$20.35	\$20.60	\$20.80	\$21.00	\$21.25	\$21.40	\$21.75	\$22.75
Adult minimum wage (gross weekly income – 40 hour week) ¹¹⁵	\$800.00	\$814.00	\$824.00	\$832.00	\$840.00	\$850.00	\$856.00	\$870.00	\$910.00
Adult minimum wage (gross annual income – 40 hour week)	\$41,600	\$42,328	\$42,848	\$43,264	\$43,680	\$44,200	\$44,512	\$45,240	\$47,320
Percentage increase in gross weekly income from \$800.00	N/C	1.75%	3.00%	4.00%	5.00%	6.25%	7.00%	8.75%	13.75%
Relativity to median wage ¹¹⁶	72.1%	73.3%	74.2%	74.9%	75.6%	76.6%	77.1%	78.4%	82.0%
Relativity to average wage ¹¹⁷	57.5%	58.5%	59.3%	59.8%	60.4%	61.1%	61.6%	62.6%	65.4%
Relativity to Job Seeker support ¹¹⁸	254.2%	258.6%	261.8%	264.4%	266.9%	270.1%	272.0%	276.4%	289.1%
Number of people directly impacted (rounded up to nearest 100)	NA	183,100	208,200	217,200	230,300	300,700	309,100	347,600	475,900
Estimated restraint on employment ¹¹⁹	N/C	N/C	N/C	-2,000	-3,900	-6,400	-7,900	-11,300	-21,100

¹¹⁵ This is calculated on a 40 hour week basis.

¹¹⁶ The median hourly earnings are \$27.76 per hour (Labour Market Statistics (Income), June 2021).

¹¹⁷ The average ordinary time hourly earnings are \$34.76 per hour or \$1,360.62 gross per week (Labour Market Statistics, September 2021).

¹¹⁸ For a single adult, aged 25 or over, receiving \$314.73 (gross) per week as at 1 July 2021.

¹¹⁹ The employment effects for '16-64 year olds' are represented. Figures rounded to the 500s.

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Minimum wage rate impact measures	Option 1	Option 2	Option 3	Option 4	Option 5 (Recommended)	Option 6	Option 7	Option 8	Option 9
Estimated economy-wide increase in wages (\$ million, annual)	N/C	\$83m	\$151m	\$212m	\$278m	\$389m	\$458m	\$637m	\$1,317m
Estimated inflationary impact (percentage points)	N/C	0.03%	0.05%	0.07%	0.09%	0.12%	0.15%	0.20%	0.42%
Estimated additional annual costs to the Government (\$ million, annual) ¹²⁰	N/C	14.9	25.3	33.7	43.0	52.9	59.4	76.5	135.9
Full time employee receiving no tax credits or other income support - net weekly income and increase from \$20.00	\$667.73 -	\$689.09 (\$21.36) 3.20%	\$697.20 (\$29.47) 4.41%	\$703.69 (\$35.96) 5.39%	\$710.17 (\$42.44) 6.36%	\$717.79 (\$50.06) 7.50%	\$721.87 (\$54.14) 8.11%	\$731.41 (\$63.68) 9.54%	\$758.65 (\$90.92) 13.62%
Auckland based sole parent, earning minimum wage, working 40 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and increase from \$20.00	\$1,235.01 -	\$1,242.87 (\$7.86) 0.64%	\$1,247.77 (\$12.75) 1.03%	\$1,250.26 (\$15.24) 1.23%	\$1,252.75 (\$17.73) 1.44%	\$1,255.86 (\$20.84) 1.69%	\$1,257.72 (\$22.71) 1.84%	\$1,262.08 (\$27.07) 2.19%	\$1,274.52 (\$39.51) 3.20%
Auckland based couple, both earning minimum wage, working a combined 60 hours per week with two dependent children, receiving Working for Families and Accommodation Supplement - net weekly income and increase from \$20.00	\$1,410.09 -	\$1,416.62 (\$6.52) 0.46%	\$1,421.29 (\$11.20) 0.79%	\$1,425.02 (\$14.92) 1.06%	\$1,428.76 (\$18.67) 1.32%	\$1,433.42 (\$23.33) 1.65%	\$1,436.22 (\$26.13) 1.85%	\$1,442.75 (\$32.67) 2.32%	\$1,461.42 (\$51.33) 3.64%

¹²⁰ This is a high level estimate based on the additional costs to the Ministries of Health, Social Development and Education, Oranga Tamariki, Accident Compensation Corporation and New Zealand Defence Force. It does not include potential transfer savings.

MBIE recommends that the new adult minimum wage should be set at \$21.00 and come into effect on 1 April 2022

268. Increasing the minimum wage to \$21.00 in 2022 is likely to have positive impacts for low-paid workers by raising their income. Up to 230,300 workers (those currently earning up from \$20.00 to \$21.00) will receive an increase up to the new minimum wage. New entrants to employment can expect to start at a higher wage rate and many of those earning above the new minimum wage can also expect an increase over time as relative wage rates between different roles are addressed. This represents an increase in hourly wages and overall income for many workers. The most significant benefits are likely to be for minimum wage workers who are sole parents.
269. Employers may respond to an increase by increasing the prices of goods or services, reducing the hours of workers, capital investments or substitution of some groups of workers for others. To date, while there are anecdotal reports of employers responding to minimum wage increases in this manner, MBIE has not found any evidence of this occurring on a large scale, despite the relatively large increase of \$1.10 in last year's minimum wage. The flow-on effects of relative pay adjustments to workers who are paid just above the minimum wage are also difficult to quantify.
270. In many households, the total income will increase along with the higher minimum wage, which will make it easier for minimum wage earners and their families to meet living costs. However, some households with a minimum wage earner will not receive the full financial gains of a minimum wage increase. Their higher level of income may reduce financial gains of a minimum wage increase because their higher level of income may reduce the amount of financial assistance they are entitled to receive through Government transfers (such as Working for Families and the Accommodation Supplement). This occurs as the amount of government assistance someone is eligible to receive abates as the income of the recipient increases.
271. The minimum wage model identifies a minimal direct inflationary impact of 0.09 per cent to the general price level from increasing the minimum wage to \$21.00. MBIE acknowledges the risk of inflationary pressure on wages due to relative pay adjustments for wages above the minimum wage as well as the risk of wage compression at the lower end of the wage distribution scale. MBIE's model provides an estimate of the total increased cost of labour across the entire economy. It does not include any compression effects for workers whose wages above the minimum wage are increased for reasons of relativity, as these are a result of individual decisions made by employers.
272. Increasing the overall income for low wage earners may result in more people having disposable income, which could then lead to an increase in spending and consumption levels, benefitting local businesses and economies.
273. Despite well-publicised indicative rates for the minimum wage, worker representatives may continue to advocate for higher minimum wage rates. The adoption of a wage

equivalent to the Living Wage by core government agencies may also place additional pressure on the perceived appropriateness of the proposed minimum wage rate. In contrast, business representatives may argue that the minimum wage increase raises the costs of work without accompanying productivity gains, resulting in job losses, particularly in the current economic environment.

MBIE recommends maintaining the starting-out and training minimum wage rates at 80 per cent of the adult minimum wage (\$16.80)

274. MBIE has not considered other options for the starting-out wage and the training minimum wage because:
- a differential between these rates and the adult minimum wage rates may support the transition of youth into employment
 - employers expect these minimum wages to be 80 per cent of the adult minimum wage
 - maintaining the training minimum wage rate at 80 per cent of the adult minimum wage helps further the policy objective of incentivising employers to take on and support trainees
 - legislation does not allow a rate lower than 80 per cent and anything substantially higher than 80 per cent might reduce incentives for employers to take on trainees
 - it is important that the starting-out and training minimum wages are the same, as they are often used interchangeably.
275. The preferred option is compatible with the Government's expectations for the design of regulatory systems as the preferred option delivers net benefits to New Zealanders and meets the criteria outlined in the 'Government Expectations for Good Regulatory Practice' document.¹²¹
276. Procedurally, increasing the minimum wage is straightforward and requires no significant process or procedural change. Effective communication and signalling is required and so press releases and media statements will be used to communicate the increase in a way that ensures clear messaging. These are most likely to occur soon after the Cabinet decision.
277. Once implemented, all employers will be required to pay their workers at least the minimum wage (or the applicable training wage or starting-out wage). Failure to provide this minimum pay would mean that the employer is in breach of the Minimum Wage Act 1983, and liable for penalties and recovery of wages.

¹²¹ The Treasury, *Government Expectations for Good Regulatory Practice*, April 2017, <https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf>

Monitoring, evaluation and review of the minimum wage decision

278. MBIE has ongoing responsibilities to support Ministers' decisions on minimum wage rates in its annual review. The effects of minimum wage increases are monitored by analysing a range of labour market and economic statistics regularly published by Statistics NZ and other organisations. The outcome of the statistical analysis will inform future recommendations on the minimum wage rate. There is a statutory requirement to review the minimum wage on an annual basis.
279. As the Government has increased the minimum wage every year since 2000, MBIE will continue to monitor the long-term impacts of minimum wage increases, paying particular attention to potential employment effects. The effects of minimum wage increases are monitored by analysing quarterly labour market statistics published by Statistics NZ and other organizations, through other economic indicators, and through feedback provided to the Government from surveys and letters to Ministers. The results of the analysis will feed into MBIE's future reviews of the minimum wage.
280. There are several current initiatives aimed at improving outcomes for New Zealand's lowest paid workers, including changes that have increased wage rates for the lowest paid public sector workers. These and other initiatives create additional complexity when attempting to determine the impact of minimum wage changes. However, each initiative also provides additional evidence and understanding of the impacts of policy on employees paid close to or near the minimum wage, and on their employers, and how these impacts can have flow on effects for the rest of the labour market. There will be ongoing monitoring and consideration of the impacts on the labour market from these initiatives, as well as in light of this year's minimum wage increase.

Annex Two: Scenarios on interface of minimum wage options with other government interventions

The following six scenarios are provided in this annex:

- A couple with two children working a combined 60 hours per week and
 - **Scenario 1:** living in Avondale, Auckland paying median rent of \$590
 - **Scenario 2:** living in Ashburton, Canterbury paying median rent of \$360
 - **Scenario 3:** living in Whakatāne, Bay of Plenty paying median rent of \$440.
- A sole parent with two children working 40 hours per week and:
 - **Scenario 4:** living in Avondale, Auckland paying median rent of \$590
 - **Scenario 5:** living in Ashburton, Canterbury paying median rent of \$360
 - **Scenario 6:** living in Whakatāne, Bay of Plenty paying median rent of \$440.

Median rent figures were published on the Tenancy Services website on 31 August 2021 from tenancy bond data from 1 March 2020 – 31 August 2021.¹²²

Scenario 1

Scenario 1a: A couple with two children working a combined 60 hours per week at \$20.00, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$800.00	\$41,600.00	\$6,300.00	\$578.24	\$34,721.76
Parent B	20	\$400.00	\$20,800.00	\$2,660.00	\$289.12	\$17,850.88
Combined net earnings without other income support				\$52,572.64		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,925.00		
Total Working for Families assistance after abatement				\$9,468.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$4,576.00		
Total accommodation supplement after abatement				\$11,284.00		
Effective annual earnings for the household				\$73,324.64		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 1b: A couple with two children working a combined 60 hours per week at \$20.35, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.35		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$814.00	\$42,328.00	\$6,427.40	\$588.36	\$35,312.24
Parent B	20	\$407.00	\$21,164.00	\$2,723.70	\$294.18	\$18,146.12
Combined net earnings without other income support				\$53,458.36		

¹²² <https://www.tenancy.govt.nz/rent-bond-and-bills/market-rent/>

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Maximum In Work Tax Credit	\$3,770.00
Maximum Family Tax Credit	\$10,623.00
Total abatement on family support due to income	\$5,198.00
Total Working for Families assistance after abatement	\$9,195.00
Maximum accommodation supplement	\$15,860.00
Abatement on accommodation supplement	\$4,849.00
Total accommodation supplement after abatement	\$11,011.00
Effective annual earnings for the household	\$73,664.36
Percentage increase in minimum wage	1.75%
Percentage increase in annual earnings	0.46%

Scenario 1c: A couple with two children working a combined 60 hours per week at \$20.60, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.60		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$824.00	\$42,848.00	\$6,518.40	\$595.59	\$35,734.01
Parent B	20	\$412.00	\$21,424.00	\$2,769.20	\$297.79	\$18,357.01
Combined net earnings without other income support				\$54,091.02		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,393.00		
Total Working for Families assistance after abatement				\$9,000.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,044.00		
Total accommodation supplement after abatement				\$10,816.00		
Effective annual earnings for the household				\$73,907.02		
Percentage increase in minimum wage				3.00%		
Percentage increase in annual earnings				0.79%		

Scenario 1d: A couple with two children working a combined 60 hours per week at \$20.80, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.80		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$832.00	\$43,264.00	\$6,591.20	\$601.37	\$36,071.43
Parent B	20	\$416.00	\$21,632.00	\$2,805.60	\$300.68	\$18,525.72
Combined net earnings without other income support				\$54,597.15		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,549.00		
Total Working for Families assistance after abatement				\$8,844.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,200.00		
Total accommodation supplement after abatement				\$10,660.00		
Effective annual earnings for the household				\$74,101.15		
Percentage increase in minimum wage				4.00%		

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Percentage increase in annual earnings	1.06%
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Scenario 1e: A couple with two children working a combined 60 hours per week at \$21.00, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$840.00	\$43,680.00	\$6,664.00	\$607.15	\$36,408.85
Parent B	20	\$420.00	\$21,840.00	\$2,842.00	\$303.58	\$18,694.42
Combined net earnings without other income support				\$55,103.27		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,705.00		
Total Working for Families assistance after abatement				\$8,688.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,356.00		
Total accommodation supplement after abatement				\$10,504.00		
Effective annual earnings for the household				\$74,295.27		
Percentage increase in minimum wage				5.00%		
Percentage increase in annual earnings				1.32%		

Scenario 1f: A couple with two children working a combined 60 hours per week at \$21.25, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.25		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$850.00	\$44,200.00	\$6,755.00	\$614.38	\$36,830.62
Parent B	20	\$425.00	\$22,100.00	\$2,887.50	\$307.19	\$18,905.31
Combined net earnings without other income support				\$55,735.93		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,900.00		
Total Working for Families assistance after abatement				\$8,493.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,551.00		
Total accommodation supplement after abatement				\$10,309.00		
Effective annual earnings for the household				\$74,537.93		
Percentage increase in minimum wage				6.25%		
Percentage increase in annual earnings				1.65%		

Scenario 1g: A couple with two children working a combined 60 hours per week at \$21.40, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$856.00	\$44,512.00	\$6,809.60	\$618.72	\$37,083.68

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Parent B	20	\$428.00	\$22,256.00	\$2,914.80	\$309.36	\$19,031.84
Combined net earnings without other income support				\$56,115.52		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,017.00		
Total Working for Families assistance after abatement				\$8,376.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,668.00		
Total accommodation supplement after abatement				\$10,192.00		
Effective annual earnings for the household				\$74,683.52		
Percentage increase in minimum wage				7.00%		
Percentage increase in annual earnings				1.85%		

Scenario 1h: A couple with two children working a combined 60 hours per week at \$21.75, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$870.00	\$45,240.00	\$6,937.00	\$628.84	\$37,674.16
Parent B	20	\$435.00	\$22,620.00	\$2,978.50	\$314.42	\$19,327.08
Combined net earnings without other income support				\$57,001.25		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,290.00		
Total Working for Families assistance after abatement				\$8,103.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$5,941.00		
Total accommodation supplement after abatement				\$9,919.00		
Effective annual earnings for the household				\$75,023.25		
Percentage increase in minimum wage				8.75%		
Percentage increase in annual earnings				2.32%		

Scenario 1i: A couple with two children working a combined 60 hours per week at \$22.00, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$22.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$880.00	\$45,760.00	\$7,028.00	\$636.06	\$38,095.94
Parent B	20	\$440.00	\$22,880.00	\$3,024.00	\$318.03	\$19,537.97
Combined net earnings without other income support				\$57,633.90		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,485.00		
Total Working for Families assistance after abatement				\$7,908.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$6,136.00		
Total accommodation supplement after abatement				\$9,724.00		

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Effective annual earnings for the household	\$75,265.90
Percentage increase in minimum wage	10.00%
Percentage increase in annual earnings	2.65%

Scenario 1j: A couple with two children working a combined 60 hours per week at \$22.75, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$22.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$910.00	\$47,320.00	\$7,301.00	\$657.75	\$39,361.25
Parent B	20	\$455.00	\$23,660.00	\$3,160.50	\$328.87	\$20,170.63
Combined net earnings without other income support				\$59,531.88		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$7,070.00		
Total Working for Families assistance after abatement				\$7,323.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$6,721.00		
Total accommodation supplement after abatement				\$9,139.00		
Effective annual earnings for the household				\$75,993.88		
Percentage increase in minimum wage				13.75%		
Percentage increase in annual earnings				3.64%		

Scenario 2

Scenario 2a: A couple with two children working a combined 60 hours per week at \$20.00, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$800.00	\$41,600.00	\$6,300.00	\$578.24	\$34,721.76
Parent B	20	\$400.00	\$20,800.00	\$2,660.00	\$289.12	\$17,850.88
Combined net earnings without other income support				\$52,572.64		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,925.00		
Total Working for Families assistance after abatement				\$9,468.00		
Maximum accommodation supplement				\$7,680.40		
Abatement on accommodation supplement				\$4,576.00		
Total accommodation supplement after abatement				\$3,104.40		
Effective annual earnings for the household				\$65,145.04		
Percentage increase in minimum wage				0.00%		
Percentage increase in annual earnings				0.00%		

Scenario 2b: A couple with two children working a combined 60 hours per week at \$20.35, living in Ashburton, Canterbury paying median market rent of \$360	
Minimum wage	\$20.35

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	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$814.00	\$42,328.00	\$6,427.40	\$588.36	\$35,312.24
Parent B	20	\$407.00	\$21,164.00	\$2,723.70	\$294.18	\$18,146.12
Combined net earnings without other income support					\$53,458.36	
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$5,198.00	
Total Working for Families assistance after abatement					\$9,195.00	
Maximum accommodation supplement					\$7,680.40	
Abatement on accommodation supplement					\$4,849.00	
Total accommodation supplement after abatement					\$2,831.40	
Effective annual earnings for the household					\$65,484.76	
Percentage increase in minimum wage					1.75%	
Percentage increase in annual earnings					0.52%	

Scenario 2c: A couple with two children working a combined 60 hours per week at \$20.60, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.60		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$824.00	\$42,848.00	\$6,518.40	\$595.59	\$35,734.01
Parent B	20	\$412.00	\$21,424.00	\$2,769.20	\$297.79	\$18,357.01
Combined net earnings without other income support					\$54,091.02	
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$5,393.00	
Total Working for Families assistance after abatement					\$9,000.00	
Maximum accommodation supplement					\$7,680.40	
Abatement on accommodation supplement					\$5,044.00	
Total accommodation supplement after abatement					\$2,636.40	
Effective annual earnings for the household					\$65,727.42	
Percentage increase in minimum wage					3.00%	
Percentage increase in annual earnings					0.89%	

Scenario 2d: A couple with two children working a combined 60 hours per week at \$20.80, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.80		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$832.00	\$43,264.00	\$6,591.20	\$601.37	\$36,071.43
Parent B	20	\$416.00	\$21,632.00	\$2,805.60	\$300.68	\$18,525.72
Combined net earnings without other income support					\$54,597.15	
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$5,549.00	

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Total Working for Families assistance after abatement	\$8,844.00
Maximum accommodation supplement	\$7,680.40
Abatement on accommodation supplement	\$5,200.00
Total accommodation supplement after abatement	\$2,480.40
Effective annual earnings for the household	\$65,921.55
Percentage increase in minimum wage	4.00%
Percentage increase in annual earnings	1.19%

Scenario 2e: A couple with two children working a combined 60 hours per week at \$21.00, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$840.00	\$43,680.00	\$6,664.00	\$607.15	\$36,408.85
Parent B	20	\$420.00	\$21,840.00	\$2,842.00	\$303.58	\$18,694.42
Combined net earnings without other income support				\$55,103.27		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,705.00		
Total Working for Families assistance after abatement				\$8,688.00		
Maximum accommodation supplement				\$7,680.40		
Abatement on accommodation supplement				\$5,356.00		
Total accommodation supplement after abatement				\$2,324.40		
Effective annual earnings for the household				\$66,115.67		
Percentage increase in minimum wage				5.00%		
Percentage increase in annual earnings				1.49%		

Scenario 2f: A couple with two children working a combined 60 hours per week at \$21.25, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.25		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$850.00	\$44,200.00	\$6,755.00	\$614.38	\$36,830.62
Parent B	20	\$425.00	\$22,100.00	\$2,887.50	\$307.19	\$18,905.31
Combined net earnings without other income support				\$55,735.93		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,900.00		
Total Working for Families assistance after abatement				\$8,493.00		
Maximum accommodation supplement				\$7,680.40		
Abatement on accommodation supplement				\$5,551.00		
Total accommodation supplement after abatement				\$2,129.40		
Effective annual earnings for the household				\$66,358.33		
Percentage increase in minimum wage				6.25%		
Percentage increase in annual earnings				1.86%		

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Scenario 2g: A couple with two children working a combined 60 hours per week at \$21.40, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$856.00	\$44,512.00	\$6,809.60	\$618.72	\$37,083.68
Parent B	20	\$428.00	\$22,256.00	\$2,914.80	\$309.36	\$19,031.84
Combined net earnings without other income support				\$56,115.52		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,017.00		
Total Working for Families assistance after abatement				\$8,376.00		
Maximum accommodation supplement				\$7,680.40		
Abatement on accommodation supplement				\$5,668.00		
Total accommodation supplement after abatement				\$2,012.40		
Effective annual earnings for the household				\$66,503.92		
Percentage increase in minimum wage				7.00%		
Percentage increase in annual earnings				2.09%		

Scenario 2h: A couple with two children working a combined 60 hours per week at \$21.75, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$870.00	\$45,240.00	\$6,937.00	\$628.84	\$37,674.16
Parent B	20	\$435.00	\$22,620.00	\$2,978.50	\$314.42	\$19,327.08
Combined net earnings without other income support				\$57,001.25		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,290.00		
Total Working for Families assistance after abatement				\$8,103.00		
Maximum accommodation supplement				\$7,680.40		
Abatement on accommodation supplement				\$5,941.00		
Total accommodation supplement after abatement				\$1,739.40		
Effective annual earnings for the household				\$66,843.65		
Percentage increase in minimum wage				8.75%		
Percentage increase in annual earnings				2.61%		

Scenario 2i: A couple with two children working a combined 60 hours per week at \$22.00, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$22.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$880.00	\$45,760.00	\$7,028.00	\$636.06	\$38,095.94
Parent B	20	\$440.00	\$22,880.00	\$3,024.00	\$318.03	\$19,537.97
Combined net earnings without other income support				\$57,633.90		

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Maximum In Work Tax Credit	\$3,770.00
Maximum Family Tax Credit	\$10,623.00
Total abatement on family support due to income	\$6,485.00
Total Working for Families assistance after abatement	\$7,908.00
Maximum accommodation supplement	\$7,680.40
Abatement on accommodation supplement	\$6,136.00
Total accommodation supplement after abatement	\$1,544.40
Effective annual earnings for the household	\$67,086.30
Percentage increase in minimum wage	10.00%
Percentage increase in annual earnings	2.98%

Scenario 2j: A couple with two children working a combined 60 hours per week at \$22.75, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$22.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$910.00	\$47,320.00	\$7,301.00	\$657.75	\$39,361.25
Parent B	20	\$455.00	\$23,660.00	\$3,160.50	\$328.87	\$20,170.63
Combined net earnings without other income support				\$59,531.88		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$7,070.00		
Total Working for Families assistance after abatement				\$7,323.00		
Maximum accommodation supplement				\$7,680.40		
Abatement on accommodation supplement				\$6,721.00		
Total accommodation supplement after abatement				\$959.40		
Effective annual earnings for the household				\$67,814.28		
Percentage increase in minimum wage				13.75%		
Percentage increase in annual earnings				4.10%		

Scenario 3

Scenario 3a: A couple with two children working a combined 60 hours per week at \$20.00, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$800.00	\$41,600.00	\$6,300.00	\$578.24	\$34,721.76
Parent B	20	\$400.00	\$20,800.00	\$2,660.00	\$289.12	\$17,850.88
Combined net earnings without other income support				\$52,572.64		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$4,925.00		
Total Working for Families assistance after abatement				\$9,468.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$4,576.00		
Total accommodation supplement after abatement				\$3,744.00		
Effective annual earnings for the household				\$65,784.64		

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Percentage increase in minimum wage	0.00%
Percentage increase in annual earnings	0.00%

Scenario 3b: A couple with two children working a combined 60 hours per week at \$20.35, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.35		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$814.00	\$42,328.00	\$6,427.40	\$588.36	\$35,312.24
Parent B	20	\$407.00	\$21,164.00	\$2,723.70	\$294.18	\$18,146.12
Combined net earnings without other income support				\$53,458.36		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,198.00		
Total Working for Families assistance after abatement				\$9,195.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$4,849.00		
Total accommodation supplement after abatement				\$3,471.00		
Effective annual earnings for the household				\$66,124.36		
Percentage increase in minimum wage				1.75%		
Percentage increase in annual earnings				0.52%		

Scenario 3c: A couple with two children working a combined 60 hours per week at \$20.60, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.60		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$824.00	\$42,848.00	\$6,518.40	\$595.59	\$35,734.01
Parent B	20	\$412.00	\$21,424.00	\$2,769.20	\$297.79	\$18,357.01
Combined net earnings without other income support				\$54,091.02		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,393.00		
Total Working for Families assistance after abatement				\$9,000.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,044.00		
Total accommodation supplement after abatement				\$3,276.00		
Effective annual earnings for the household				\$66,367.02		
Percentage increase in minimum wage				3.00%		
Percentage increase in annual earnings				0.89%		

Scenario 3d: A couple with two children working a combined 60 hours per week at \$20.80, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.80		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings

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Parent A	40	\$832.00	\$43,264.00	\$6,591.20	\$601.37	\$36,071.43
Parent B	20	\$416.00	\$21,632.00	\$2,805.60	\$300.68	\$18,525.72
Combined net earnings without other income support				\$54,597.15		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,549.00		
Total Working for Families assistance after abatement				\$8,844.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,200.00		
Total accommodation supplement after abatement				\$3,120.00		
Effective annual earnings for the household				\$66,561.15		
Percentage increase in minimum wage				4.00%		
Percentage increase in annual earnings				1.18%		

Scenario 3e: A couple with two children working a combined 60 hours per week at \$21.00, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$840.00	\$43,680.00	\$6,664.00	\$607.15	\$36,408.85
Parent B	20	\$420.00	\$21,840.00	\$2,842.00	\$303.58	\$18,694.42
Combined net earnings without other income support				\$55,103.27		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,705.00		
Total Working for Families assistance after abatement				\$8,688.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,356.00		
Total accommodation supplement after abatement				\$2,964.00		
Effective annual earnings for the household				\$66,755.27		
Percentage increase in minimum wage				5.00%		
Percentage increase in annual earnings				1.48%		

Scenario 3f: A couple with two children working a combined 60 hours per week at \$21.25, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.25		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$850.00	\$44,200.00	\$6,755.00	\$614.38	\$36,830.62
Parent B	20	\$425.00	\$22,100.00	\$2,887.50	\$307.19	\$18,905.31
Combined net earnings without other income support				\$55,735.93		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$5,900.00		
Total Working for Families assistance after abatement				\$8,493.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,551.00		

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Total accommodation supplement after abatement	\$2,769.00
Effective annual earnings for the household	\$66,997.93
Percentage increase in minimum wage	6.25%
Percentage increase in annual earnings	1.84%

Scenario 3g: A couple with two children working a combined 60 hours per week at \$21.40, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$856.00	\$44,512.00	\$6,809.60	\$618.72	\$37,083.68
Parent B	20	\$428.00	\$22,256.00	\$2,914.80	\$309.36	\$19,031.84
Combined net earnings without other income support				\$56,115.52		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,017.00		
Total Working for Families assistance after abatement				\$8,376.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,668.00		
Total accommodation supplement after abatement				\$2,652.00		
Effective annual earnings for the household				\$67,143.52		
Percentage increase in minimum wage				7.00%		
Percentage increase in annual earnings				2.07%		

Scenario 3h: A couple with two children working a combined 60 hours per week at \$21.75, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$870.00	\$45,240.00	\$6,937.00	\$628.84	\$37,674.16
Parent B	20	\$435.00	\$22,620.00	\$2,978.50	\$314.42	\$19,327.08
Combined net earnings without other income support				\$57,001.25		
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$6,290.00		
Total Working for Families assistance after abatement				\$8,103.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$5,941.00		
Total accommodation supplement after abatement				\$2,379.00		
Effective annual earnings for the household				\$67,483.25		
Percentage increase in minimum wage				8.75%		
Percentage increase in annual earnings				2.58%		

Scenario 3i: A couple with two children working a combined 60 hours per week at \$22.00, living in Whakatane, Bay of Plenty paying median market rent of \$440	
Minimum wage	\$22.00

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	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$880.00	\$45,760.00	\$7,028.00	\$636.06	\$38,095.94
Parent B	20	\$440.00	\$22,880.00	\$3,024.00	\$318.03	\$19,537.97
Combined net earnings without other income support					\$57,633.90	
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$6,485.00	
Total Working for Families assistance after abatement					\$7,908.00	
Maximum accommodation supplement					\$8,320.00	
Abatement on accommodation supplement					\$6,136.00	
Total accommodation supplement after abatement					\$2,184.00	
Effective annual earnings for the household					\$67,725.90	
Percentage increase in minimum wage					10.00%	
Percentage increase in annual earnings					2.95%	

Scenario 3j: A couple with two children working a combined 60 hours per week at \$22.75, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$22.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC Earners Levy	Net earnings
Parent A	40	\$910.00	\$47,320.00	\$7,301.00	\$657.75	\$39,361.25
Parent B	20	\$455.00	\$23,660.00	\$3,160.50	\$328.87	\$20,170.63
Combined net earnings without other income support					\$59,531.88	
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$7,070.00	
Total Working for Families assistance after abatement					\$7,323.00	
Maximum accommodation supplement					\$8,320.00	
Abatement on accommodation supplement					\$6,721.00	
Total accommodation supplement after abatement					\$1,599.00	
Effective annual earnings for the household					\$68,453.88	
Percentage increase in minimum wage					13.75%	
Percentage increase in annual earnings					4.06%	

Scenario 4

Scenario 4a: A solo parent with two children working 40 hours per week at \$20.00, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$800.00	\$41,600.00	\$6,300.00	\$578.24	\$34,721.76
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$0.00	
Total Working for Families assistance after abatement					\$14,393.00	

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Maximum accommodation supplement	\$15,860.00
Abatement on accommodation supplement	\$754.00
Total accommodation supplement after abatement	\$15,106.00
Effective annual earnings for the household	\$64,220.76
Percentage increase in minimum wage	0.00%
Percentage increase in annual earnings	0.00%

Scenario 4b: A solo parent with two children working 40 hours per week at \$20.35, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.35		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$814.00	\$42,328.00	\$6,427.40	\$588.36	\$35,312.24
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$936.00		
Total accommodation supplement after abatement				\$14,924.00		
Effective annual earnings for the household				\$64,629.24		
Percentage increase in minimum wage				1.75%		
Percentage increase in annual earnings				0.64%		

Scenario 4c: A solo parent with two children working 40 hours per week at \$20.60, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.60		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$824.00	\$42,848.00	\$6,518.40	\$595.59	\$35,734.01
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$37.00		
Total Working for Families assistance after abatement				\$14,356.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,066.00		
Total accommodation supplement after abatement				\$14,794.00		
Effective annual earnings for the household				\$64,884.01		
Percentage increase in minimum wage				3.00%		
Percentage increase in annual earnings				1.03%		

Scenario 4d: A solo parent with two children working 40 hours per week at \$20.80, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$20.80		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$832.00	\$43,264.00	\$6,591.20	\$601.37	\$36,071.43
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		

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Total abatement on family support due to income	\$141.00
Total Working for Families assistance after abatement	\$14,252.00
Maximum accommodation supplement	\$15,860.00
Abatement on accommodation supplement	\$1,170.00
Total accommodation supplement after abatement	\$14,690.00
Effective annual earnings for the household	\$65,013.43
Percentage increase in minimum wage	4.00%
Percentage increase in annual earnings	1.23%

Scenario 4e: A solo parent with two children working 40 hours per week at \$21.00, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$840.00	\$43,680.00	\$6,664.00	\$607.15	\$36,408.85
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$245.00		
Total Working for Families assistance after abatement				\$14,148.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,274.00		
Total accommodation supplement after abatement				\$14,586.00		
Effective annual earnings for the household				\$65,142.85		
Percentage increase in minimum wage				5.00%		
Percentage increase in annual earnings				1.44%		

Scenario 4f: A solo parent with two children working 40 hours per week at \$21.25, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.25		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$850.00	\$44,200.00	\$6,755.00	\$614.38	\$36,830.62
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$375.00		
Total Working for Families assistance after abatement				\$14,018.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,404.00		
Total accommodation supplement after abatement				\$14,456.00		
Effective annual earnings for the household				\$65,304.62		
Percentage increase in minimum wage				6.25%		
Percentage increase in annual earnings				1.69%		

Scenario 4g: A solo parent with two children working 40 hours per week at \$21.40, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$856.00	\$44,512.00	\$6,809.60	\$618.72	\$37,083.68

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Maximum In Work Tax Credit	\$3,770.00
Maximum Family Tax Credit	\$10,623.00
Total abatement on family support due to income	\$453.00
Total Working for Families assistance after abatement	\$13,940.00
Maximum accommodation supplement	\$15,860.00
Abatement on accommodation supplement	\$1,482.00
Total accommodation supplement after abatement	\$14,378.00
Effective annual earnings for the household	\$65,401.68
Percentage increase in minimum wage	7.00%
Percentage increase in annual earnings	1.84%

Scenario 4h: A solo parent with two children working 40 hours per week at \$21.75, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$21.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$870.00	\$45,240.00	\$6,937.00	\$628.84	\$37,674.16
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$635.00		
Total Working for Families assistance after abatement				\$13,758.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,664.00		
Total accommodation supplement after abatement				\$14,196.00		
Effective annual earnings for the household				\$65,628.16		
Percentage increase in minimum wage				8.75%		
Percentage increase in annual earnings				2.19%		

Scenario 4i: A solo parent with two children working 40 hours per week at \$22.00, living in Avondale, Auckland paying median market rent of \$590						
Minimum wage				\$22.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$880.00	\$45,760.00	\$7,028.00	\$636.06	\$38,095.94
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$765.00		
Total Working for Families assistance after abatement				\$13,628.00		
Maximum accommodation supplement				\$15,860.00		
Abatement on accommodation supplement				\$1,794.00		
Total accommodation supplement after abatement				\$14,066.00		
Effective annual earnings for the household				\$65,789.94		
Percentage increase in minimum wage				10.00%		
Percentage increase in annual earnings				2.44%		

Scenario 4j: A solo parent with two children working 40 hours per week at \$22.75, living in Avondale, Auckland paying median market rent of \$590	
Minimum wage	\$22.75

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	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$910.00	\$47,320.00	\$7,301.00	\$657.75	\$39,361.25
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$1,155.00	
Total Working for Families assistance after abatement					\$13,238.00	
Maximum accommodation supplement					\$15,860.00	
Abatement on accommodation supplement					\$2,184.00	
Total accommodation supplement after abatement					\$13,676.00	
Effective annual earnings for the household					\$66,275.25	
Percentage increase in minimum wage					13.75%	
Percentage increase in annual earnings					3.20%	

Scenario 5

Scenario 5a: A solo parent with two children working 40 hours per week at \$20.00, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$800.00	\$41,600.00	\$6,300.00	\$578.24	\$34,721.76
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$0.00	
Total Working for Families assistance after abatement					\$14,393.00	
Maximum accommodation supplement					\$8,372.00	
Abatement on accommodation supplement					\$754.00	
Total accommodation supplement after abatement					\$7,618.00	
Effective annual earnings for the household					\$56,732.76	
Percentage increase in minimum wage					0.00%	
Percentage increase in annual earnings					0.00%	

Scenario 5b: A solo parent with two children working 40 hours per week at \$20.35, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.35		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$814.00	\$42,328.00	\$6,427.40	\$588.36	\$35,312.24
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$0.00	
Total Working for Families assistance after abatement					\$14,393.00	
Maximum accommodation supplement					\$8,372.00	
Abatement on accommodation supplement					\$936.00	
Total accommodation supplement after abatement					\$7,436.00	
Effective annual earnings for the household					\$57,141.24	
Percentage increase in minimum wage					1.75%	
Percentage increase in annual earnings					0.72%	

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Scenario 5c: A solo parent with two children working 40 hours per week at \$20.60, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.60		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$824.00	\$42,848.00	\$6,518.40	\$595.59	\$35,734.01
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$37.00		
Total Working for Families assistance after abatement				\$14,356.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,066.00		
Total accommodation supplement after abatement				\$7,306.00		
Effective annual earnings for the household				\$57,396.01		
Percentage increase in minimum wage				3.00%		
Percentage increase in annual earnings				1.17%		

Scenario 5d: A solo parent with two children working 40 hours per week at \$20.80, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$20.80		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$832.00	\$43,264.00	\$6,591.20	\$601.37	\$36,071.43
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$141.00		
Total Working for Families assistance after abatement				\$14,252.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,170.00		
Total accommodation supplement after abatement				\$7,202.00		
Effective annual earnings for the household				\$57,525.43		
Percentage increase in minimum wage				4.00%		
Percentage increase in annual earnings				1.40%		

Scenario 5e: A solo parent with two children working 40 hours per week at \$21.00, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$840.00	\$43,680.00	\$6,664.00	\$607.15	\$36,408.85
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$245.00		
Total Working for Families assistance after abatement				\$14,148.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,274.00		
Total accommodation supplement after abatement				\$7,098.00		
Effective annual earnings for the household				\$57,654.85		

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Percentage increase in minimum wage	5.00%
Percentage increase in annual earnings	1.63%

Scenario 5f: A solo parent with two children working 40 hours per week at \$21.25, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.25		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$850.00	\$44,200.00	\$6,755.00	\$614.38	\$36,830.62
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$375.00		
Total Working for Families assistance after abatement				\$14,018.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,404.00		
Total accommodation supplement after abatement				\$6,968.00		
Effective annual earnings for the household				\$57,816.62		
Percentage increase in minimum wage				6.25%		
Percentage increase in annual earnings				1.91%		

Scenario 5g: A solo parent with two children working 40 hours per week at \$21.40, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.40		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$856.00	\$44,512.00	\$6,809.60	\$618.72	\$37,083.68
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$453.00		
Total Working for Families assistance after abatement				\$13,940.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,482.00		
Total accommodation supplement after abatement				\$6,890.00		
Effective annual earnings for the household				\$57,913.68		
Percentage increase in minimum wage				7.00%		
Percentage increase in annual earnings				2.08%		

Scenario 5h: A solo parent with two children working 40 hours per week at \$21.75, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$21.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$870.00	\$45,240.00	\$6,937.00	\$628.84	\$37,674.16
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$635.00		
Total Working for Families assistance after abatement				\$13,758.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,664.00		

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Total accommodation supplement after abatement	\$6,708.00
Effective annual earnings for the household	\$58,140.16
Percentage increase in minimum wage	8.75%
Percentage increase in annual earnings	2.48%

Scenario 5i: A solo parent with two children working 40 hours per week at \$22.00, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$22.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$880.00	\$45,760.00	\$7,028.00	\$636.06	\$38,095.94
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$765.00		
Total Working for Families assistance after abatement				\$13,628.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$1,794.00		
Total accommodation supplement after abatement				\$6,578.00		
Effective annual earnings for the household				\$58,301.94		
Percentage increase in minimum wage				10.00%		
Percentage increase in annual earnings				2.77%		

Scenario 5j: A solo parent with two children working 40 hours per week at \$22.75, living in Ashburton, Canterbury paying median market rent of \$360						
Minimum wage				\$22.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$910.00	\$47,320.00	\$7,301.00	\$657.75	\$39,361.25
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$1,155.00		
Total Working for Families assistance after abatement				\$13,238.00		
Maximum accommodation supplement				\$8,372.00		
Abatement on accommodation supplement				\$2,184.00		
Total accommodation supplement after abatement				\$6,188.00		
Effective annual earnings for the household				\$58,787.25		
Percentage increase in minimum wage				13.75%		
Percentage increase in annual earnings				3.62%		

Scenario 6

Scenario 6a: A solo parent with two children working 40 hours per week at \$20.00, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$800.00	\$41,600.00	\$6,300.00	\$578.24	\$34,721.76
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		

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Total abatement on family support due to income	\$0.00
Total Working for Families assistance after abatement	\$14,393.00
Maximum accommodation supplement	\$8,320.00
Abatement on accommodation supplement	\$754.00
Total accommodation supplement after abatement	\$7,566.00
Effective annual earnings for the household	\$56,680.76
Percentage increase in minimum wage	0.00%
Percentage increase in annual earnings	0.00%

Scenario 6b: A solo parent with two children working 40 hours per week at \$20.35, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.35		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$814.00	\$42,328.00	\$6,427.40	\$588.36	\$35,312.24
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$0.00		
Total Working for Families assistance after abatement				\$14,393.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$936.00		
Total accommodation supplement after abatement				\$7,384.00		
Effective annual earnings for the household				\$57,089.24		
Percentage increase in minimum wage				1.75%		
Percentage increase in annual earnings				0.72%		

Scenario 6c: A solo parent with two children working 40 hours per week at \$20.60, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.60		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$824.00	\$42,848.00	\$6,518.40	\$595.59	\$35,734.01
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$37.00		
Total Working for Families assistance after abatement				\$14,356.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$1,066.00		
Total accommodation supplement after abatement				\$7,254.00		
Effective annual earnings for the household				\$57,344.01		
Percentage increase in minimum wage				3.00%		
Percentage increase in annual earnings				1.17%		

Scenario 6d: A solo parent with two children working 40 hours per week at \$20.80, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$20.80		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$832.00	\$43,264.00	\$6,591.20	\$601.37	\$36,071.43

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Maximum In Work Tax Credit	\$3,770.00
Maximum Family Tax Credit	\$10,623.00
Total abatement on family support due to income	\$141.00
Total Working for Families assistance after abatement	\$14,252.00
Maximum accommodation supplement	\$8,320.00
Abatement on accommodation supplement	\$1,170.00
Total accommodation supplement after abatement	\$7,150.00
Effective annual earnings for the household	\$57,473.43
Percentage increase in minimum wage	4.00%
Percentage increase in annual earnings	1.40%

Scenario 6e: A solo parent with two children working 40 hours per week at \$21.00, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$840.00	\$43,680.00	\$6,664.00	\$607.15	\$36,408.85
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$245.00		
Total Working for Families assistance after abatement				\$14,148.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$1,274.00		
Total accommodation supplement after abatement				\$7,046.00		
Effective annual earnings for the household				\$57,602.85		
Percentage increase in minimum wage				5.00%		
Percentage increase in annual earnings				1.63%		

Scenario 6f: A solo parent with two children working 40 hours per week at \$21.25, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.25		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$850.00	\$44,200.00	\$6,755.00	\$614.38	\$36,830.62
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$375.00		
Total Working for Families assistance after abatement				\$14,018.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$1,404.00		
Total accommodation supplement after abatement				\$6,916.00		
Effective annual earnings for the household				\$57,764.62		
Percentage increase in minimum wage				6.25%		
Percentage increase in annual earnings				1.91%		

Scenario 6g: A solo parent with two children working 40 hours per week at \$21.40, living in Whakatane, Bay of Plenty paying median market rent of \$440	
Minimum wage	\$21.40

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	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$856.00	\$44,512.00	\$6,809.60	\$618.72	\$37,083.68
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$453.00	
Total Working for Families assistance after abatement					\$13,940.00	
Maximum accommodation supplement					\$8,320.00	
Abatement on accommodation supplement					\$1,482.00	
Total accommodation supplement after abatement					\$6,838.00	
Effective annual earnings for the household					\$57,861.68	
Percentage increase in minimum wage					7.00%	
Percentage increase in annual earnings					2.08%	

Scenario 6h: A solo parent with two children working 40 hours per week at \$21.75, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$21.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$870.00	\$45,240.00	\$6,937.00	\$628.84	\$37,674.16
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$635.00	
Total Working for Families assistance after abatement					\$13,758.00	
Maximum accommodation supplement					\$8,320.00	
Abatement on accommodation supplement					\$1,664.00	
Total accommodation supplement after abatement					\$6,656.00	
Effective annual earnings for the household					\$58,088.16	
Percentage increase in minimum wage					8.75%	
Percentage increase in annual earnings					2.48%	

Scenario 6i: A solo parent with two children working 40 hours per week at \$22.00, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$22.00		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$880.00	\$45,760.00	\$7,028.00	\$636.06	\$38,095.94
Maximum In Work Tax Credit					\$3,770.00	
Maximum Family Tax Credit					\$10,623.00	
Total abatement on family support due to income					\$765.00	
Total Working for Families assistance after abatement					\$13,628.00	
Maximum accommodation supplement					\$8,320.00	
Abatement on accommodation supplement					\$1,794.00	
Total accommodation supplement after abatement					\$6,526.00	
Effective annual earnings for the household					\$58,249.94	
Percentage increase in minimum wage					10.00%	
Percentage increase in annual earnings					2.77%	

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Scenario 6j: A solo parent with two children working 40 hours per week at \$22.75, living in Whakatane, Bay of Plenty paying median market rent of \$440						
Minimum wage				\$22.75		
	Weekly work hours	Weekly earnings	Annual Earnings	Tax	ACC	Net earnings
Parent A	40	\$910.00	\$47,320.00	\$7,301.00	\$657.75	\$39,361.25
Maximum In Work Tax Credit				\$3,770.00		
Maximum Family Tax Credit				\$10,623.00		
Total abatement on family support due to income				\$1,155.00		
Total Working for Families assistance after abatement				\$13,238.00		
Maximum accommodation supplement				\$8,320.00		
Abatement on accommodation supplement				\$2,184.00		
Total accommodation supplement after abatement				\$6,136.00		
Effective annual earnings for the household				\$58,735.25		
Percentage increase in minimum wage				13.75%		
Percentage increase in annual earnings				3.62%		

Annex Three: Stakeholder consultation list

For the 2021 Minimum Wage Review, MBIE received submissions from the following stakeholders:

- Building Service Contractors of New Zealand Inc.
- Bus & Coach Association New Zealand
- E Tū
- Employers and Manufacturing Association
- Federated Farmers of New Zealand
- FIRST Union
- Horticulture New Zealand
- Hospitality New Zealand
- Living Wage Aotearoa
- ManufacturingNZ
- Meat Industry Association of New Zealand
- New Zealand Aged Care Association
- New Zealand Beverage Council
- New Zealand Food and Grocery Council
- New Zealand Security Association
- New Zealand Trucking Association
- NZ Council of Christian Social Services
- NZ Meat Workers and Related Trades Union (Inc.)
- NZ Union of Students' Associations
- Public Service Association (PSA)
- Restaurant Association of New Zealand
- Retail Meat New Zealand
- Retail NZ
- Salvation Army
- Small Business Advisors Group
- Tourism Industry Aotearoa