

Annex Five: BusinessNZ Response

Submission by



Future of Work Forum Meeting, 3 April 2023

Business New Zealand welcomes the opportunity to comment on the two topics to be discussed at the meeting: Pay Transparency and Access to Childcare.

We acknowledge the two pre-Forum reading notes, and we believe that the problem definitions they include are reasonable. The note on pay transparency argues that enabling pay information to be more visible means employees can make better informed choices about where they work. We infer from this point that employers are not necessarily able to recruit the best person for the job.

We believe that suboptimal recruitment because of a lack of pay transparency could have a minor effect on productivity. In addition, any sense of grievance on the part of employees resulting from a lack of pay transparency could have a similar effect.

The note on childcare takes the position that childcare is essential infrastructure for working parents to engage in the labour market. This is particularly significant for women, who are more likely to take up caring responsibilities. Despite existing supports, many parents experience difficulties accessing childcare when they are at work or wanting to work – two of the most common barriers cited are cost and not having care available when parents need it.

From a business and economic perspective, we believe that, insofar as better access to childcare will increase labour force participation, it is to be welcomed. Increased participation will tend to contribute to economic growth by adding to the quantity of labour available and, possibly, its quality. There is also an ethnic equity dimension to access, in that Māori and Pasifika families tend to find access more difficult than other families.

Pay Transparency

Business New Zealand believes that pay transparency is desirable for the purpose of promoting Equal Pay between men and women, as defined by Mind the Gap, i.e. where Equal Pay is the same pay for the same job¹.

The Ministry for Women's website cites OED data indicating that the gender wage gap in New Zealand is relatively small by international standards². Based on median wage rates for full time jobs, the gap in New Zealand in 2021 was 6.7 percent, compared to the OECD average of 11.9 percent in the same year, and 9.9 percent in Australia in 2022. The earnings gap in New Zealand is actually greater than the gap quoted above, because women are more likely than men to work part-time. However, this tends to be the case in other countries as well.

We believe that businesses should be encouraged to be transparent about pay, where this would be meaningful and practical, but we do not believe that pay transparency should be a matter for legislation. To measure pay equality meaningfully would require there to be multiple numbers of both men and women working in the same roles, and this is likely to occur only in large businesses. And even in large businesses, there may be multiple numbers of both men and women in some roles, but not in others. Role-specific measures may be possible, but definitive organisation-wide measures of equal pay are less likely to be obtainable.

Nonetheless, we note that larger employers are already increasingly open to pay transparency, without the need for legislation, and we welcome this. Mind the Gap has recently launched a registry of businesses and

¹ Mind the Gap distinguishes between **Equal Pay** as defined above, **Pay Parity** (which is the same pay for the same job, across different employers/workplaces) and **Pay Equity** (which is the same pay for different work of the same value).

² <https://data.oecd.org/earnwage/gender-wage-gap.htm>

other organisations that already report on their wage gap, or are committed to doing so. The registry currently includes the names of 80 or so businesses, including Air New Zealand, ANZ Bank, Beca, Chorus, Fletcher Building, Fonterra, and many others.

On the other hand, we believe that, for virtually all small businesses and most medium-sized businesses, it would be impractical to derive measures of the gender pay gap. Any measures they might produce would tend not to be meaningful because they would generally not be based on the pay of both multiple men and women in the same roles.

Access to Childcare

Business New Zealand sees Early Childhood Education (ECE) as an important part of the education system and, as such, it should be funded through general taxation. We support provision of ECE through both state and private sector providers to ensure competitive and dynamic provision of services. One concern we have about the current system of support for ECE provision is that the Ministry of Education is using a network of provision model which is actively reducing supply. We believe that this model should be removed because it inhibits supply and interferes with the responsiveness of the market to needs.

Noting that access to childcare is generally more of an issue for women than for men, and more of an issue for Māori and Pasifika than other ethnic groups, it is relevant to cite recent research for Business New Zealand, by Sense Partners. This research found that there could be a labour shortage of 250,000 people in New Zealand by 2048, if no avoiding action is taken. The research considered what sort of action would be needed and it concluded that, although more generous and stable immigration settings would be the most effective, but it also found that actions to increase labour force participation rates by Māori and Pasifika, women and older people would also help.

In relation to Māori and Pasifika, Sense Partners found that, if the ethnic employment gaps, adjusting for age, were closed, there would be 100,000 additional workers. And in relation to women, they found that, if the gender employment gap was closed, there would be 175,000 additional workers.

These numbers of additional workers are theoretical maximums that are unlikely to be achieved. Nonetheless, efforts to increase labour force participation by women (as well as by Māori and Pasifika) should be made. Business New Zealand notes that there have been successive measures to improve access to childcare, and we believe that improvements should continue, if economic conditions permit. We would not, however, favour increased financial support for childcare, if it were to be financed through an increased finance burden on businesses.

We also wish to point out that efforts to increase labour force participation by improving access to childcare need to be accompanied by flexible approaches to employment are supportive of women and parents juggling child care commitments. Flexible approaches became more prominent during the Covid experience, and we would like to see these approaches being maintained for the purposes of enabling businesses to attract talent and supporting family life.

Business New Zealand

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