



COVERSHEET

Minister	Hon Brooke van Velden	Portfolio	Minister for Workplace Relations and Safety
Title of Cabinet paper	Minimum Wage Review: Setting the 2024 rates	Date to be published	1 February 2024

List of documents that have been proactively released

Date	Title	Author
January 2024	Minimum Wage Review: Setting the 2024 rates	Office of the Minister for Workplace Relations and Safety
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Information redacted

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In Confidence

Office of the Minister for Workplace Relations and Safety

Cabinet

Minimum Wage Review: Setting the 2024 rates

Proposal

- 1 This paper seeks Cabinet's agreement to:
 - 1.1 set the adult hourly minimum wage rate from 1 April 2024; and
 - 1.2 amend the starting-out and training hourly minimum wage rates from 1 April 2024, so that they remain at 80 percent of the adult minimum wage rate.

Relation to Government priorities

- 2 This decision delivers the Government's commitment to '*moderate increases to the minimum wage every year*' as specified in the National Party and New Zealand First Coalition Agreement.

Executive Summary

- 3 The adult minimum wage is currently \$22.70 per hour, and the starting-out and training minimum wages are currently \$18.16 per hour. The current adult minimum wage was paid to approximately 59,500 workers aged 16 to 64 in June 2023 (2.9 percent of the employed population in this age range).
- 4 In line with the Government's commitment to '*moderate increases to the minimum wage every year*', I seek Cabinet's agreement to set the minimum wage rates for 2024. I propose a 1.3 percent increase in the adult minimum wage rate to \$23.00 per hour. I believe such a rate is appropriate given the current economic conditions and the historically large increases to the minimum wage (relative to inflation) that have distorted relativities. I have also provided additional options to increase the minimum wage by 2.0 and 2.7 percent respectively for Cabinet's consideration.
- 5 In setting the rates that will apply for the next year, I believe it is important for Cabinet to consider the forecast rate of inflation, which is currently trending downwards. The Reserve Bank of New Zealand (RBNZ) and the Treasury are forecasting inflation for the year to December 2024 to decrease to 2.5 to 2.9 percent respectively. Any increase to the minimum wage that is substantially higher than inflation risks increasing pressure on businesses that are already struggling in a cost of living crisis, and reducing employment opportunities in a softening labour market.

- 6 I propose that there be a corresponding increase in the starting out and training rates to maintain the 80 percent relativity to the adult minimum wage.¹ This means that these rates will increase to \$18.40 per hour.
- 7 I propose that the new minimum wage rates should apply from 1 April 2024.

Background

- 8 As Minister for Workplace Relations and Safety, I have a statutory obligation under section 5(1) of the Act to review the minimum wage rates by 31 December each year. At the end of November 2023, I received the Minimum Wage Review (the review) and advice from the Ministry of Business, Innovation and Employment (MBIE) on setting the 2024 rates and used this as the basis of my review.
- 9 On 18 December 2023, I provided an oral update to Cabinet, noting that a timely decision on the minimum wage rates would be required in January 2024 to give businesses time to prepare.

Objective for the review

- 10 Since 2012, the core objective for successive Governments in reviewing the minimum wage has been '*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].
- 11 Cabinet also agreed in 2012 that the minimum wage review would be comprehensive in nature every four years, and streamlined in the intervening years [CAB Min (12) 41/5B refers]. This year's review is a streamlined review, as approved by the previous Minister for Workplace Relations and Safety.²
- 12 Alongside the Cabinet objective for the review, the Government is committed to '*moderate increases to the minimum wage every year*' as set out in the National Party and New Zealand First Coalition Agreement.

Key factors considered in MBIE's Minimum Wage Review

- 13 The review analysed nine minimum wage options ranging from no change to a 14.5 percent increase to the Living Wage (currently \$26.00 per hour).³ In line with recent reviews and the Cabinet objective, the review considered the following key factors in analysing the options:

¹ Sections 4A and 4B of the Minimum Wage Act 1983 require that these rates must not be less than 80 percent of the adult minimum wage.

² The difference between streamlined and comprehensive reviews lies in the need to consider 'other relevant factors' beyond the principal three factors (inflation, wage growth and restraint on employment), and the extent to which consultation extends beyond the social partners (BusinessNZ and NZCTU) to represent business and worker interests in the review.

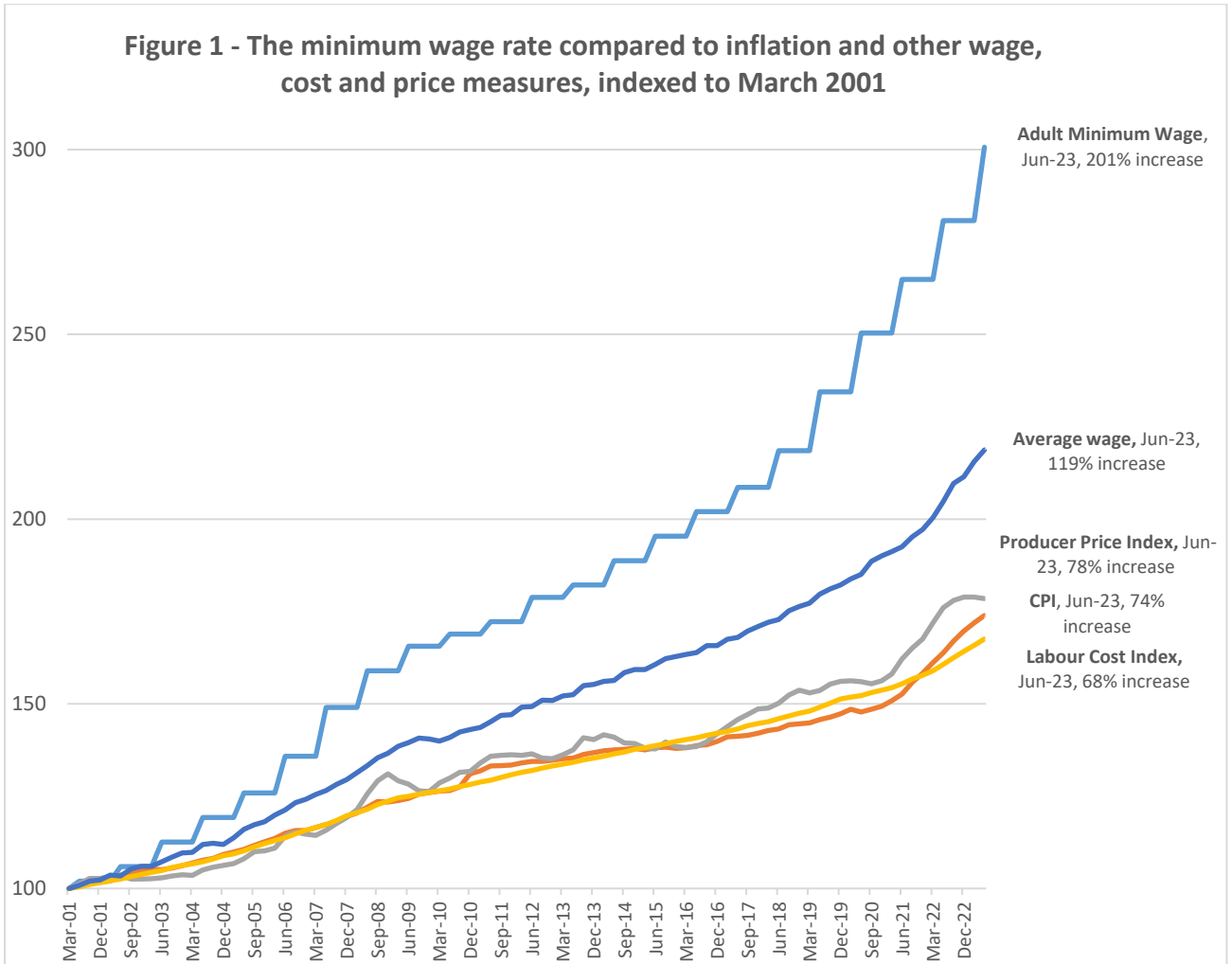
³ The Living Wage is calculated by the Living Wage Movement Aotearoa NZ on the basis that it can provide a family of two adults and two children a reasonable standard of living when the parents work 60 hours a week in total, with one parent working full time and one part time.

- 13.1 inflation, using the Consumer Price Index (CPI) as the main indicator;
- 13.2 wage growth, using the median wage, average hourly ordinary time earnings, and the adjusted Labour Cost Index (LCI), as the primary indicators;
- 13.3 restraint on employment, estimated by MBIE's minimum wage model;
- 13.4 Government fiscal impacts, calculated based on cost information received from agencies on how the minimum wage rate options would impact on their workforces and policy programmes; and
- 13.5 distributional impacts, including analysing the actual incomes of workers and households on the minimum wage after taxes and transfers.

Previous increases to the minimum wage have been above annual inflation and have outpaced wage growth

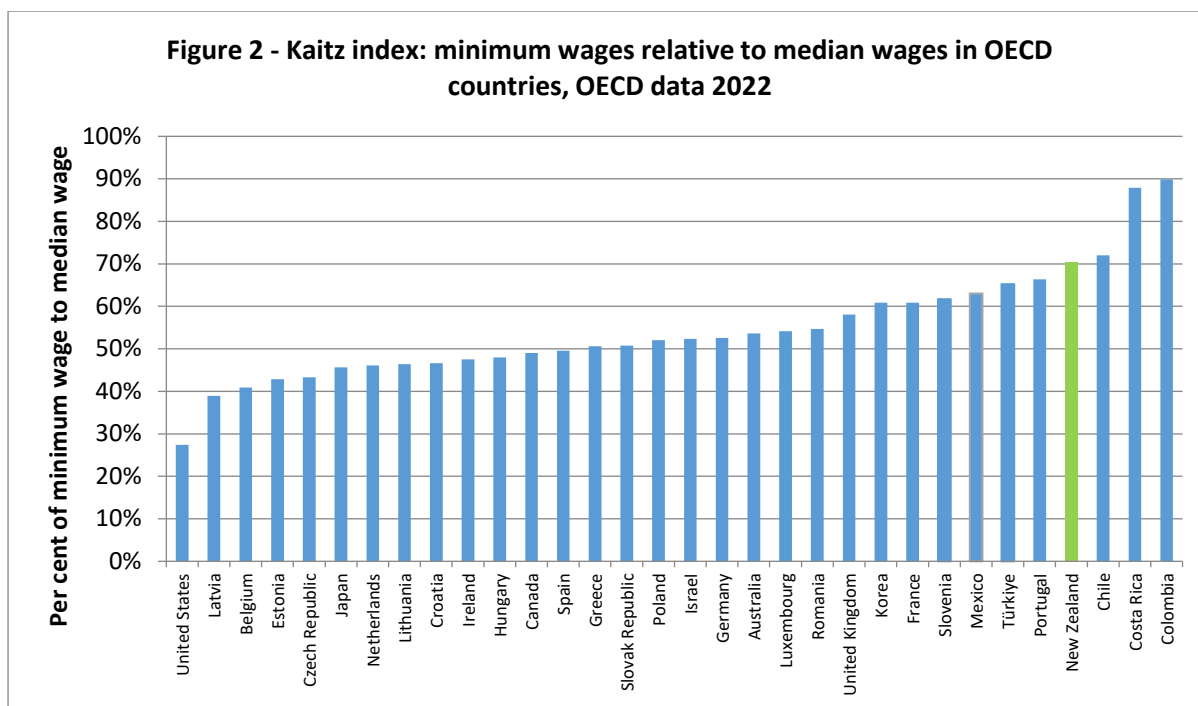
- 14 Between 1 April 2012 and 2021, every minimum wage increase was higher than annual CPI inflation. In response to higher inflation, the last two increases to the minimum wage were approximately in line with annual CPI inflation.
- 15 From June 2016 to June 2023, the adult minimum wage increased by 48.8 percent, from \$15.25 in 2016 to \$22.70 in 2023, and CPI inflation increased by 25.1 percent in total (using 2016 dollars). The most recent increase to the minimum wage was 7.1 percent in April 2023, from \$21.20 to \$22.70. This was roughly in line with the 7.2 percent annual CPI inflation recorded in December 2022 (the most recent data available at that time).
- 16 The extent of the increases to the minimum wage over the past decade mean that growth in the minimum wage has outpaced average wage growth (except for the past two years, which saw high rates of average and median hourly wage growth).⁴ Figure 1 below shows the extent to which increases in the Minimum Wage have outpaced a range of wage and price indexes.

⁴ Recent data from the Household Labour Force Survey (Income) and Quarterly Economic Survey show high rates of wage growth. In the year to June 2023, the median hourly wage rose by 6.6 percent to \$31.61 and average ordinary time hourly earnings increased by 6.9 percent to \$39.53 per hour.



17 New Zealand’s minimum wage is one of the most generous in the OECD in terms of relativity with the median wage, as shown in Figure 2 below. As a ratio to the median wage, the minimum wage has increased from 62 percent of the median wage in June 2017 to 72 percent in June 2023.⁵ This has compressed the distribution of wages in the lower-earning half of the labour market, which can reduce the ability for businesses to pass on higher wages to more experienced and skilled workers.

⁵ Most of this growth occurred between 2017 and 2022 when the minimum wage significantly rose in real terms. This ratio has tapered off recently following high inflation.



Given the softening labour market and other economic headwinds, a cautious approach to the minimum wage is required this year

- 18 The previous two minimum wage reviews occurred in an environment of high inflation, high wage growth and record low unemployment. These conditions emerged in response to COVID-19 related monetary and fiscal policy responses, supply chain disruptions and restrictions on offshore migrant workers due to closed borders. These conditions enabled large increases to the minimum wage without causing significant restraint on employment.
- 19 The economic and labour market context has significantly changed over the past year. While unemployment is currently low, the labour market is ‘softening’ through expanding domestic labour supply due to high net migration rates, constrained consumer spending and subdued economic growth, plus other economic headwinds.
- 20 Unemployment is forecast to increase and peak at 5.2 percent in early 2025. Furthermore, employment growth is forecast to reduce to 1.4 percent and 0.4 percent for the year to June 2024 and year to June 2025 respectively, having been 2.9 percent in year to June 2023.⁶
- 21 The forecast for rising unemployment, plus other domestic and global economic headwinds, highlights the need for caution in setting the 2024 minimum wage rates. I consider that a small to moderate increase in the minimum wage balances the need to protect the incomes of the lowest paid workers and maintain employment growth, without placing excessive or unanticipated pressure on businesses.

⁶ These forecasts are from Treasury’s Half Year Economic and Fiscal Update (HYEFU), published in December 2023. <https://www.treasury.govt.nz/sites/default/files/2023-12/hyefu23.pdf>

- 22 Recent StatsNZ data indicates that businesses are already broadly providing real terms pay rises, with both median and average hourly wage rates rising by more than the 6 percent annual CPI inflation recorded in June 2023.
- 23 A higher minimum wage can mean higher prices. According to StatsNZ's Business Operations Survey (2022), a consideration of changes in labour costs is the second most important factor in setting price changes (the most important factor was changes in other costs like supplier goods and rent). 2 out of 3 businesses (66 percent) that set and reviewed pricing regarded the change in labour costs as very important. The percentage goes up to 86 percent for businesses in the accommodation and food services industry.⁷

I propose an increase in the adult minimum wage to \$23.00

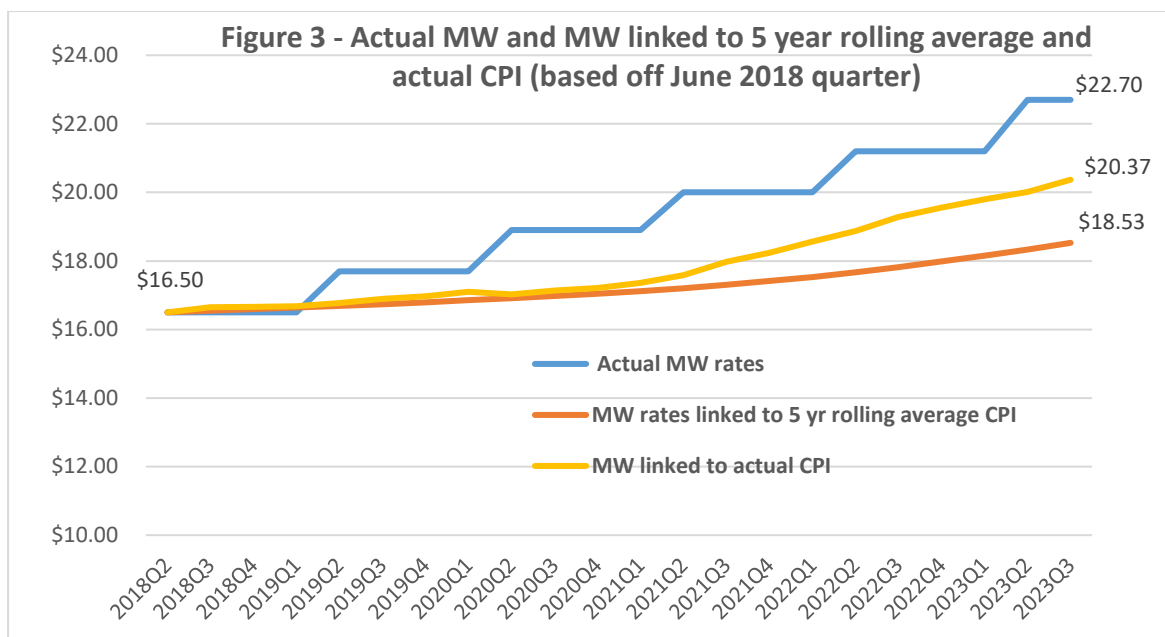
- 24 In considering the review, the present economic conditions, and the Government's commitment to "*moderate increases to the minimum wage every year*", I consider a 1.3 percent increase in the adult minimum wage to \$23.00 per hour to be the best response, given the current challenging economic environment and forecast for rising unemployment over the next two years, and the need to preserve job creation.
- 25 A 1.3 percent increase is consistent with maintaining a relationship between the minimum wage and inflation. If the adult minimum wage had been linked to actual CPI in 2018, the minimum wage would be \$20.37 per hour today. If the minimum wage had been linked to a five-year rolling average of CPI, the adult minimum wage today would be \$18.53 per hour.
- 26 According to the latest quarterly figures from StatsNZ, CPI inflation for the year to December 2023 was 4.7 percent.⁸ CPI inflation is expected to ease throughout 2024, with the RBNZ and Treasury forecasting CPI inflation to be 2.5 percent⁹ and 2.9 percent¹⁰ respectively in the year to December 2024.
- 27 An increase in the minimum wage to \$23.00 per hour reflects the need for a small to moderate annual increase in light of cost-of-living pressures, while acknowledging that the current minimum wage rate has been out of line with CPI inflation over the medium to long term, as indicated in Figure 3 below. In my view, a 1.3 percent increase represents an appropriate balance given the substantial and above-inflation increases to the minimum wage prior to 2022.

⁷ StatsNZ (2022) Business Operations Survey: <https://www.stats.govt.nz/information-releases/business-operations-survey-2022/>).

⁸ StatsNZ: <https://www.stats.govt.nz/news/annual-inflation-at-4-7-percent/>

⁹ Reserve Bank of New Zealand, Te Pūtea Matua. *11/2023 Monetary Policy Statement*. November 2023. <https://www.rbnz.govt.nz/hub/publications/monetary-policy-statement/2023/monetary-policy-statement-november-2023>

¹⁰Treasury. *Half-Year Economic and Fiscal Update 2023*. December 2023. <https://www.treasury.govt.nz/sites/default/files/2023-12/hyefu23.pdf>



MBIE’s review recommends the minimum wage be set at \$23.60

- 28 The review recommends increasing the adult minimum wage rate by 4.0 percent to \$23.60 per hour and increasing the starting-out and training wage rates to \$18.88 per hour on 1 April 2024. A summary of this assessment is in **Annex One** and the full review is attached as **Annex Two**.
- 29 In assessing how the real incomes of minimum wage earners can be protected, the review considers inflation and general wage growth over the previous year, plus the relativity of the minimum wage compared to the median wage and average wage over time.
- 30 The Treasury (based on the September 2023 Pre-election Economic and Fiscal Update (PREFU)) and the RBNZ forecast annual CPI inflation to be 4.3 percent in March 2024. On this basis, MBIE stated that an increase of around 4 percent to the minimum wage rates should approximately preserve the real value of the minimum wage if measured over a year.¹¹
- 31 In terms of employment impacts (the other part of the Cabinet objective), MBIE’s minimum wage model predicts that no restraint on employment will occur in response to an increase of 5 percent or less in the minimum wage for 2024. However, given the uncertain economic outlook and softening labour market, the review notes that an increase in the mid-to-low end of a 3.0 to 5.0 percent range represents a cautious approach to raising the minimum wage, to reduce the likelihood of employment restraint occurring.
- 32 Overall, MBIE’s view is that a 4.0 percent increase in the minimum wage rates for 2024 appropriately balances the objectives of the minimum wage.

¹¹ These come from the Treasury’s September 2023 PREFU and the RBNZ November 2023 Monetary Policy Statement, both of which forecast the year to March 2023 CPI inflation to be 4.3 percent.

I propose a continued differential for starting-out and training rates

- 33 I propose that the starting-out and training rates continue to be set at 80 percent of the adult minimum wage in accordance with sections 4A and 4B of the Act. Maintaining the current differential between the adult minimum wage and the starting-out and training rates supports the transition of youth into employment and helps further the policy objective of incentivising employers to take on and support trainees.
- 34 With an adult minimum wage rate of \$23.00 per hour, the starting-out and training rates would be set at \$18.40 per hour.

The new rates should take effect on 1 April 2024

- 35 I propose that the new minimum wage rates come into effect on 1 April 2024. Since 1997, every minimum wage increase has come into effect in either March or April of the year following the decision, mostly on 1 April.
- 36 There is no legislative requirement that any minimum wage increase comes into effect on 1 April. This date is chosen because it aligns with annual adjustments to the thresholds for the Accommodation Supplement, the Minimum Family Tax Credit and the end of the financial and tax years for most employers.

Cost-of-living Implications

- 37 The review gives significant regard to the cost-of-living in the analysis and I have considered this in the proposed minimum wage rate options above.
- 38 Minimum wage increases can produce competing impacts on the cost-of-living depending on the extent of the increase. On the one hand, minimum wage employees receive an income increase which helps them to address everyday cost pressures. However, minimum wage increases may contribute to an increase in overall costs for some businesses. This can lead to actions by businesses to minimise the effect of those cost increases, such as increasing prices, reducing the number of staff or cutting other costs.
- 39 Since the minimum wage options presented in the recommendations of this paper are less than the recent average and median wage growth figures, and less than forecasted average wage growth for 2024¹², they are not expected to impose unforeseen costs or create restraint on employment impacts for businesses and employees.
- 40 Minimum wage earners who do not receive any income-abated supports, such as Working for Families Tax Credits and Accommodation Supplement would benefit the most from minimum wage increases. Meanwhile,

¹² Treasury's September 2023 PREFU forecast average wage growth to be 6.2 percent for the year to June 2024.

households who do receive income-abated supports face some erosion of the full benefits of the minimum wage increase.

- 41 StatsNZ data shows that minimum wage earners reside in households spanning across the household income spectrum. This means that minimum wage earners may be the secondary or tertiary earners within higher income households: for example, a young person living with their parents. Research on the minimum wage in New Zealand concludes that because minimum wage workers are broadly spread across household income distribution levels, minimum wage increases are largely ineffective as a redistributive income support policy.¹³

Financial Implications

- 42 MBIE consulted with government agencies on the potential cost implications of the nine minimum wage options included the review. The estimated additional cost to government for a 1.3 percent increase in the minimum wage is \$11.25 million.
- 43 The Ministry of Social Development, Accident Compensation Corporation, New Zealand Defence Force, New Zealand Police and Health New Zealand Te Whatu Ora were identified as the agencies most likely to be affected by any change to the minimum wage rate. For these agencies, the additional combined cost would be an estimated \$11.21 million for a 1.3 percent increase in the minimum wage.
- 44 Some government programmes are adjusted based on labour market wage statistics, which may be impacted by changes to minimum wage rates. For example, New Zealand Superannuation is indexed to the net average wage, and parental leave payment rates are adjusted annually based on changes in average ordinary time weekly earnings. Any fiscal impact will be treated as a forecast change through Budget 2024.
- 45 The fiscal costs to government may be offset by an increase in the GST received (as a result of people having more disposable income to spend) and a reduction in the amount of social transfers (due to abatements on government supports such as Working for Families Tax Credits and Accommodation Supplement). These impacts are difficult to accurately quantify.

Legislative Implications

- 46 Minimum wages are set through an Order in Council made under sections 4, 4A, and 4B of the Act. To give effect to a change in the minimum wage, a new Order in Council needs to be made by the Governor-General, on the recommendation of the Minister for Workplace Relations and Safety. Subject

¹³ 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). March 2021.

to Cabinet’s decisions, the new Order to increase the minimum wage will come into force on 1 April 2024.

- 47 I intend to bring a paper to the Cabinet Legislation Committee by the end of February 2024 to give effect to the minimum wage adjustment agreed.

Impact Analysis

Regulatory Impact Statement

- 48 The Treasury's Regulatory Impact Analysis (RIA) team has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement (RIS) on the grounds that it would substantively duplicate the Minimum Wage Review 2023. This exemption is granted on the condition that the document contains all the requirements that would otherwise be included in the RIS. The RIA Review Panel at MBIE has reviewed the Minimum Wage Review 2023 and determined that the paper meets the criteria.

Climate Implications of Policy Assessment

- 49 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

- 50 The following table outlines the population implications of these proposals.

Group	How the proposal may affect this population group
Young people	<p>Young workers aged 16-24 represent a high proportion of those employees on the minimum wage. As at June 2023, 59 percent of those aged between 16 to 64 earning the minimum wage were between 16 and 24 years old, while these workers comprised only 16 percent of wage earners overall.</p> <p>Young workers are most exposed to the risks and benefits of minimum wage increases. Employers may look for workers with more experience in response to higher minimum wages, but young people who remain in work will receive an increase in take home pay (especially if they are not receiving any income-abated government support).</p>
Māori	<p>Previous reviews found Māori to be overrepresented for workers on the minimum wage. This is no longer the case. As at June 2023, Māori made up 15 percent of the workforce aged 16 to 64 and 15 percent of all minimum wage workers in that age group, meaning that they are proportionally represented on the minimum wage relative to the working Māori population.</p> <p>There is some evidence that Māori are more likely to be adversely affected by employment restraint effects than other ethnic groups. A 2011 study found that Māori who were earning the minimum wage experienced</p>

	significant falls in their employment and total weekly hours when the minimum wage increased significantly. ¹⁴
Pacific peoples	Pacific peoples are slightly overrepresented among workers on the minimum wage aged 16 to 64. Pacific peoples account for around 6 percent of total wage earners and about 8 percent of total minimum wage earners in this age range.
Women	Women tend to be overrepresented in several employment circumstances associated with low pay, including working part-time and working in the hospitality and retail sectors. As at June 2023, 64.6 percent of minimum wage earners between the ages of 16-64 are women, and 57.7 percent of minimum wage earners between 25 and 64 years are women. By comparison, 49 percent of total wage earners between the ages of 16 to 64 are women.
Disabled people	Labour market statistics show a persistent gap in median incomes from wages and salaries for disabled people. In June 2023, the median weekly income from wages and salaries for those aged 15 and over was \$1,018 for disabled people, \$255 less than the median figure of \$1,273 for non-disabled people. This suggests that disabled people are likely to be overrepresented among lower paid people who will be directly impacted by minimum wage increases (specific data on disabled minimum wage earners is not available).

Human Rights

- 51 I recommend that the starting-out and training minimum wage rates continue to be set at 80 percent of the adult minimum wage. As these minimum rates make a distinction on the basis of age, namely those aged 16 to 19 years, or on the basis of their employment status, they continue to raise a potential issue of discrimination under section 19(1) of the New Zealand Bill of Rights Act 1990 (NZBORA).
- 52 However, this discrimination appears to be justified in light of section 5 of the NZBORA. There can be negative long-term economic and social effects associated with young people being out of work, especially if they remain unemployed for a significant period of time. Providing the ability to pay young, unskilled and in-training workers a lower wage than the adult minimum wage is one way to get young people into work and work-based training.

Consultation

- 53 MBIE consulted with BusinessNZ and the New Zealand Council of Trade Unions (NZCTU) on the rate options considered in the minimum wage review. Feedback from these social partners is summarised in the review.
- 54 MBIE also consulted with key government agencies on the potential cost implications of the minimum wage options (summarised above).

¹⁴ Pacheco, G. (2011). Estimating Employment Impacts with Binding Minimum Wage Constraints. *The Economic Record*, 87(279), 587-602.

55 The Treasury was consulted on the draft review and the Department of the Prime Minister and Cabinet (Policy Advisory Group) was informed.

Communications

56 I intend to make a media statement about the new minimum wage rates for 2024 following Cabinet's decisions.

Proactive Release

57 I intend to proactively release this Cabinet paper and will invite MBIE to release the review on its website, subject to any appropriate withholding of information that would be justified under the Official Information Act 1982.

Recommendations

58 The Minister for Workplace Relations and Safety recommends that Cabinet:

- 1 **note** that the Coalition Agreement between the National Party and New Zealand First commits to "*moderate increases to the minimum wage every year*";
- 2 **note** that the Ministry of Business, Innovation and Employment has provided the Minimum Wage Review 2023 and has recommended a four percent increase in the minimum wage to \$23.60;
- 3 **agree** that the adult minimum wage rate be set at one of the following rates for 2024:
 - a. \$23.00 per hour (1.3 percent increase) (**recommended approach**);
 - b. \$23.15 per hour (2.0 percent increase);
 - c. \$23.30 per hour (2.7 percent increase);
- 4 **agree** to maintain the starting-out and training minimum wage rates at 80 percent of the adult minimum wage selected in recommendation 3;
- 5 **agree** that the minimum wage rate adjustments in recommendations 3 and 4 will come into effect on 1 April 2024;
- 6 **invite** the Minister for Workplace Relations and Safety to provide drafting instructions to Parliamentary Counsel Office to give effect to the above proposals via an Order in Council; and
- 7 **authorise** the Minister for Workplace Relations and Safety to make decisions, consistent with the policy in this paper, on any issues that arise during the drafting process.

Authorised for lodgement

Hon Brooke van Velden

Minister for Workplace Relations and Safety

Annex One: Summary of impacts of the minimum wage options in the Review ^{15 16}

Minimum wage rate impact measures	Option 1 0% \$22.70	Option 2 1.3% ¹⁷ \$23.00	Option 3 3% \$23.40	Option 4 4% \$23.60	Option 5 5% \$23.80	Option 6 6% \$24.00	Option 7 7% \$24.30	Option 8 10% \$25.00	Option 9 14.5% \$26.00
Adult minimum wage (hourly rate)	\$22.70	\$23.00	\$23.40	\$23.60	\$23.80	\$24.00	\$24.30	\$25.00	\$26.00
Adult minimum wage (gross weekly income – 40-hour week) ¹⁸	\$908.00	\$920.00	\$936.00	\$944.00	\$952.00	\$960.00	\$972.00	\$1,000.00	\$1,040.00
Adult minimum wage (gross annual income – 40-hour week)	\$47,216	\$47,840	\$48,672	\$49,088	\$49,504	\$49,920	\$50,544	\$52,000	\$54,080
Relativity to median wage ¹⁹	72%	73%	74%	75%	75%	76%	77%	79%	82%
Relativity to average wage ²⁰	57%	58%	59%	60%	60%	61%	61%	63%	66%
Relativity of gross weekly income at minimum wage rate to Job Seeker support ²¹	235%	238%	242%	244%	246%	248%	251%	259%	269%
Number of people directly impacted (rounded up to nearest 100)	NA	79,400	145,200	164,400	188,700	211,300	264,600	316,100	440,100
Estimated restraint on employment (modelled average) ²²	N/C	N/C	N/C	N/C	N/C	<1000	- 7,500	- 24,500	- 49,000
Estimated economy-wide increase in wages (\$m, annual)	N/C	27	102	145	196	253	369	682	1,341

¹⁵ To ensure comparability between options, the modelling of all options is for the calendar year from 1 April 2023.

¹⁶ The MBIE recommended option is highlighted in green.

¹⁷ In the review, the \$23.00 option was referred to as a 1.5 percent increase rather than a 1.3 percent increase. This is because the review rounded up all the rate options to the nearest 0.5 percent decimal point.

¹⁸ This is calculated on a 40-hour week basis.

¹⁹ The median hourly earnings are \$31.61 per hour (Labour Market Statistics (Income), June 2023).

²⁰ The average ordinary time hourly earnings are \$39.53 per hour or \$1,581.20 gross per week (Labour Market Statistics, QES, June 2023).

²¹ For a single adult, aged 25 or over, receiving \$386.54 (gross) per week, as from 1 April 2023. Source: <https://www.workandincome.govt.nz/products/benefit-rates/benefit-rates-april-2023.html>

²² The employment effects for '16-64 year olds' are represented. These are estimates from the MBIE-MW employment restraint model updated in 2023.

IN CONFIDENCE

Minimum wage rate impact measures	Option 1 0% \$22.70	Option 2 1.3% ¹⁷ \$23.00	Option 3 3% \$23.40	Option 4 4% \$23.60	Option 5 5% \$23.80	Option 6 6% \$24.00	Option 7 7% \$24.30	Option 8 10% \$25.00	Option 9 14.5% \$26.00
Estimated impact on nominal GDP (percentage points) ²³	N/C	0.007%	0.028%	0.040%	0.053%	0.069%	0.100%	0.185%	0.364%
Estimated additional annual costs to Government (\$m, annual) ²⁴	\$0.00m	\$11.25m	\$20.48m	\$30.96m	\$39.85m	\$49.66m	\$64.61m	\$100.98m	\$158.18m
Full time employee receiving no tax credits or other income support - net weekly income and increase from \$22.70	\$754.05 -	\$763.77 (\$9.72) 1.3%	\$775.11 (\$21.06) 2.8%	\$780.59 (\$26.53) 3.5%	\$786.07 (\$32.01) 4.2%	\$791.54 (\$37.49) 5.0%	\$799.76 (\$45.71) 6.1%	\$818.93 (\$64.88) 8.6%	\$846.32 (\$92.27) 12.2%
<u>Scenario:</u> 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 \$22.70	\$1,536.74 -	\$1,541.96 (\$5.21) 0.3%	\$1,547.30 (\$10.55) 0.7%	\$1,549.77 (\$13.03) 0.8%	\$1,552.25 (\$15.50) 1.0%	\$1,554.73 (\$17.98) 1.2%	\$1,558.44 (\$21.70) 1.4%	\$1,567.11 (\$30.36) 2.0%	\$1,579.49 (\$42.75) 2.8%
<u>Scenario:</u> 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 number and percent increase from \$22.70	\$1,338.62 -	\$1,342.10 (\$3.48) 0.3%	\$1,345.12 (\$6.50) 0.5%	\$1,346.44 (\$7.81) 0.5%	\$1,347.76 (\$9.13) 0.7%	\$1,349.07 (\$10.45) 0.8%	\$1,351.05 (\$12.43) 0.9%	\$1,355.66 (\$17.04) 1.3%	\$1,362.25 (\$23.63) 1.8%

²³ The impact on the GDP-Income measure of the estimated economy-wide increase in wages, weighted by the of share of compensation of employees in the National Accounts.

²⁴ This is a high-level estimate, largely based on the additional costs to the Ministry of Social Development, Te Whatu Ora, and Accident Compensation Corporation and New Zealand Defence Force. It does not include potential transfer savings received by the government in additional tax and abated benefits. Figures given do not include ACC OCL rates – the Outstanding cash Liability, an actuarial estimate of the funds required now to meet the future cost of all existing ACC claims.

Annex Two: Minimum Wage Review 2023