

# MAKE LOW WAGES HISTORY



This is the year to say **NO** to  
youth rates and say **YES** to  
increasing the minimum wage



NEW ZEALAND COUNCIL OF TRADE UNIONS

*Te Kauae Kaimahi*



“WE ARE CAMPAIGNING FOR A CLEAN START: FAIR DEAL FOR CLEANERS IN THE CLEANING INDUSTRY AND TELLING PROPERTY OWNERS AND CONTRACT CLEANING FIRMS TO TAKE RESPONSIBILITY FOR THE POVERTY WAGES THAT ARE DESTROYING OUR LIVES.”

Auckland cleaner Sue Lafaele, from the *Clean Start – Fair Deal for Cleaners* campaign of the Service and Food Workers' Union

## History

The minimum wage was introduced in 1940 to protect conscripted workers during war time.

By 1947 it stood at about four fifths of the average wage. Today it stands at less than half of the average.

After the 1973 report of the Royal Commission on Social Policy the minimum wage was set at two-thirds of the average wage.

In following years it was adjusted in line with general wage and cost of living orders but not with bargained wage rises.

By 1984 it had declined to less than a third of the average wage.

In the last few years it has risen to less than half of the average wage, while living costs have soared.

## Kiwi wages – sure to rise!

We Kiwis believe in a fair go. The trouble is most of us are not getting one. And the gap, between those who are and those who are not, is widening.

It would be no exaggeration to say that we are in a low-wage crisis. Not only are our wages low by international standards, but too many of us live in poverty. This year's Social Report showed an alarming increase in people facing severe hardship.

This has happened while incomes have improved disproportionately for a few and while costs and profits have risen faster than wages. Benefits are too low, and have not been increased for too long since the cuts in 1991.

We cannot compete with low-waged countries like China and India. Most people agree with the CTU that we need to move towards high-quality workplaces with skilled workers, who are well rewarded.

This is not a simple goal in a country where anti-worker legislation in the 1990s removed the protection of national awards.

In 1990 – the year before the Employment Contracts Act (ECA) removed national awards – almost half of the private sector workforce was covered by collective bargaining. Today that figure has dropped to less than a tenth. Even when the public sector is included only a fifth of the workforce is covered by collective agreements. This leaves most workers with the sole protection of the statutory minimum wage.

In the absence of a national award system a low minimum wage has become many workers' only safety net, and too many employers have chosen to keep labour and investment costs low rather than train skilled workers or modernise their plant.

There is now plenty of evidence to show that workers' wages have not kept up with rising costs. Our wages are now 35 per cent less on average than Australian wages, and the Australian minimum wage is 50 per cent higher than ours.

According to a Canadian comparative study the change in real wages over the period from 1980 to 2001 shows an actual fall for New Zealand of 6.5 per cent compared with a range of other countries

where there were significant increases (e.g. Australia 28.8 per cent, Canada 39.5 per cent, UK 46.9 per cent and Finland 68.2 per cent).

Pacific women are the lowest paid workers in our society, and earn on average only 72 cents in every dollar that the average pakeha male wage or salary earner does. Low wages and having to hold down multiple jobs has a direct impact on thousands of poor families, and contributes to our unacceptable rates of child poverty.

While workers' incomes haven't kept up, their bosses probably have though. We live in a period when throughout many parts of the world there are obscene differences in the wages of executives compared with low-income workers. In the USA, latest figures show that the average CEO earned 821 times as much as a minimum wage worker.

Back home, the results of a recently-published Sunday Star-Times survey found the pay of a CEO in New Zealand is, on average, 19 times higher than the average paid to their workers. This represents a significant rise on the figure in 2000, which was 8 times as much. The newspaper reported a similar survey by Otago University, which found that between 1997 and 2002 CEO pay rose at 5.3 per cent per year, returns to shareholders 3 per cent, but non-CEO pay by just 1.5 per cent per year.

Earlier in the year the Business Herald reported that CEOs in the top 44 companies that disclosed their pay enjoyed an average pay increase of 23 per cent last year.

Compare this to average worker wage increases in the private sector of around 3 per cent, and inflation which is currently running at 4 per cent.

The sluggish nature of wage levels is also in striking contrast to corporate profits. From 2000 to 2004 a study by the Reserve Bank notes that corporate profits increased by 11 per cent a year.

The CTU says that lifting the minimum wage has a role in lifting wages generally in New Zealand. We believe that a low minimum wage entrenches a low-wage, low-skill, low technology approach to employment. This has resulted in persistently low productivity, relatively low capital per worker, and a labour market which is slow to produce wage increases as a response to high labour demand.



"I FEEL CONFIDENT THAT WE ARE ON THE RIGHT TRACK TO ACHIEVE ALL OUR GOALS IN THE AGED CARE SECTOR. IT WILL BE A HARD ROAD TO TRAVEL BUT BY ALL PULLING TOGETHER WE WILL GET THERE.

*New Zealand Nurses Organisation member Ann Galloway is a Dunedin care giver and part of their Fair Share for Aged Care campaign. She is a member of the union's Aged Care National Advisory Committee.*



"WE'RE CONSTANTLY BEING TOLD WE HAVE TO SAVE BUT THERE'S JUST NOT ENOUGH MONEY TO DO IT."

*David Snook works at Sealed Air, and is a member of the Engineering, Printing and Manufacturing Union.*



“SUPPORT STAFF IN SCHOOLS ARE AMONG THE LOWEST PAID WORKERS IN EDUCATION, EARNING AS LITTLE AS \$11.84 AN HOUR. THEY HAVE VERY LITTLE REAL JOB SECURITY BECAUSE OF THE CURRENT SCHOOL FUNDING SYSTEM. PEOPLE SUPPORTING OUR NATION’S MOST PRECIOUS COMMODITY - OUR CHILDREN - DESERVE BETTER. THAT’S WHY NZEI IS CAMPAIGNING FOR A CHANGE IN THE SCHOOL FUNDING SYSTEM, ONE THAT WILL SECURE NOT ONLY FAIRER WAGES BUT ALSO JOB SECURITY FOR SUPPORT STAFF IN SCHOOLS.”

Mereana Epi Mana, School Librarian, Ellerslie Primary School.

The downhill course started by the ECA has:

- brought skills and labour shortages and high worker turnover.
- reduced levels of investment in technology and infrastructure, resulting in low productivity.
- locked many workers into low-skill levels because of their low wages.
- caused many workers to emigrate – mostly to Australia where wages are one-third higher.
- created a widening income gap between high-paid and low-paid workers.
- been bad for women and particularly for Maori and Pacific Island women.
- disadvantaged young workers.

So how do we achieve the export-led, highly productive, highly skilled, highly paid economy that almost everyone says they want?

## Working harder, and other myths

### Working harder - economic growth?

Years of rising economic growth and people working longer and longer hours have failed to deliver a fair deal for all.

We know our incomes have been rising overall, but this has been through more jobs, longer hours and more pay for those on high incomes. This is not sustainable, and we need to aspire to a high wage, high skill, higher value economy, not one where we are working longer and longer hours for very low pay.

Our own research on the prevalence of long hours is confirmed by recent International Labour Organisation findings that twenty per cent or more of the workforce in New Zealand is working at least 50 hours a week. Clearly, the 40 hour working week which was fought so hard for is not a reality for many.

Additionally employers, who find that they have access to low paid workers, have decided against investing in workers’ skills and many, including international companies, have chosen to use the minimum wage as a going rate, when they could certainly afford

## Productivity

Workers play a key role in lifting productivity. Statistics out earlier this year showed that labour productivity increased on average by 2.6 percent annually over the period 1988 to 2005. But the benefits of this improved productivity has not been shared with workers. While productivity was 55% higher in real terms in 2005 than in 1988, wages for most workers have not risen anywhere near that rate.

Wages went up by 52.2% in that time but take out inflation since 1988 (54.9%) and real wages have actually fallen by nearly 3% (while labour productivity went up by over 55%). Not a great dividend for workers there!

The CTU says it’s crucial that workers are involved in future discussions on how to lift productivity and unions are developing programmes to address this. But the benefits of improved productivity must be shared with workers for workers to retain confidence in the workplace productivity initiatives underway.

to pay more.

New Zealand needs to lift its workplace productivity, but working for longer hours on low pay is not the way to achieve this (see box on previous page).

Lower paid households have been unable to afford higher education to improve their skills and their incomes, and so they, and the country, miss out.

### **Cheap, skilled, migrant labour?**

Some employers use migrant workers to have it both ways – skilled workers with low pay.

At best this is a short term solution that allows employers to continue down the low wage, low investment path.

### **Tax cuts?**

Our wages are on average 35 per cent lower than Australian wages, and expecting tax cuts to bridge that gap is crazy. The main income issue for workers is the need for higher wages, not tax cuts that will benefit the wealthy.

Business groups say that we need to match our tax rates with Australia, but when have they said we need to match our wage rates with the Australians too?

The government has invested in tax relief through Working for Families, but we can't expect government to cover for the low wages that many employers pay.

And welcome though it is, the family tax relief introduced in the 2004 Budget creates some harmful distortions in only rewarding those parents who are in the paid workforce. If they leave their job, then their children are again disadvantaged.



“OUR MAIN GOAL WAS EQUAL PAY FOR EQUAL WORK AND FAIR PAY FOR THE TIME YOU HAVE BEEN DOING THE JOB. ALTHOUGH WE DIDN'T GET EVERYTHING WE WANTED WE MANAGED TO GAIN A LITTLE BIT OF GROUND. BY STICKING TOGETHER AND SAYING THAT WHAT THEY WERE OFFERING WAS NOT ACCEPTABLE WE WERE ABLE TO MOVE FORWARD AND OPEN SOME DOORS TO POSSIBILITIES FOR THE FUTURE.”

Sara MacIntyre works at Westpac's call centre, Phone Assist, which has some of the lowest paid workers in the banking industry. In January Westpac was forced to offer its workers the largest collective pay rise achieved in any of the big banks in the last year (5.2% for 16 months). This followed a long campaign that involved recruiting 400 new members, talking to the public, and eventually going on strike.

## **Obligations**

There is more than just a moral obligation on government to impose decent minimum standards. Our government also has international obligations.

As a member of the United Nations it is obliged to ensure 'the right to just and favourable remuneration'.

As a signatory to the Convention on the Elimination of All Forms of Discrimination Against Women it must 'take all appropriate measures' to ensure... 'the right to equal remuneration.'

As a member of the International Labour Organisation it must guarantee an adequate wage and create minimum wage fixing machinery where 'no arrangements exist for the effective regulation of wages... and wages are exceptionally low.' The ILO also recommends that minimum wages should be set according to the 'general level of wages prevailing in the country.'



“BY TAKING AWAY YOUTH RATES IT WILL GIVE ADULTS MORE ROOM TO BARGAIN BECAUSE YOUTH RATES PULL ADULTS WAGES DOWN, AND BECAUSE WE ARE STRONGER TOGETHER. THEY SAY THEY PAY US LESS BECAUSE WE’RE LESS EXPERIENCED, BUT I WAS EXPERIENCED ENOUGH FOR THEM TO HIRE ME. I JOINED OUR UNION BECAUSE IS EASIER FOR A GROUP TO APPROACH MANAGEMENT THAN FOR A SINGLE PERSON - WE DON’T FEEL AS PRESSURED.”

Jasmine Musson, 16 is paid \$8.45 an hour as a checkout operator at Pak N Save Lincoln Rd. Adults start on \$10.25 in checkout. She is part of the National Distribution Union’s Shelfrespect.org campaign in supermarkets.

## First step

### So where do we start?

One simple way to kick-start the engine of social and economic change is to increase the minimum wage.

A fair minimum wage is one that is set at two thirds of the average wage.

This would have many spin-offs, not the least of which would be to attract people into a scarce labour market, because, although there is a labour shortage, employers have failed to use higher wages to attract staff.

A decent minimum wage would push up wages. This would motivate people to join the workforce, increase their skills, work smarter and more productively and move away from the current low-wage, low-skill mentality.

Increasing the minimum wage would also make a small but important step in addressing the gender pay gap. When the minimum wage finally crossed the \$10 mark this year, 91,000 workers got a pay rise, 61,000 of whom were women.

Some argue that raising the minimum wage, especially the minimum youth rate (see box below) – would harm people entering the labour market by reducing their employment opportunities.

However, local and international studies have shown that increases in the minimum wage have had a positive employment effect because the higher wage has increased the participation rate. The dramatic fall in the number of unemployed and beneficiaries

## Youth rates

There is no sensible argument for youth rates. A 17 year old with 18 months experience should not be paid less for doing the same job as an 18 year old with two week’s experience.

It is immoral to discriminate against a person on the grounds of their age. The shameful legislation endorsing this discrimination should be removed from the Human Rights Act.

Even children under 16, in most situations, should receive the full minimum wage.

Where a young worker receives genuine training there may be an argument for a training rate. However, if this is set too low it could act as a disincentive.

The gloomy prediction that young people will be excluded from the workforce if youth rates disappear, has been shown to have as little long-term credibility as similar opinions about raising the minimum wage or creating gender equity in employment.



in this country after recent minimum wage rises would seem to bear this out.

The experience of young workers makes the case even stronger. A Treasury paper in 2004 found that a 69% increase in the minimum wage for 18 and 19 year olds in 2001, and a 41% increase in the minimum wage for 16 and 17 year-olds over a two year period, had no adverse effects on youth employment or hours worked. In fact hours of work increased for 16-17 year olds relative to other age groups.

### **And then...**

Along side raising the minimum wage we would need to focus on the Government's goal of putting us back at the top of OECD countries.

To do this we must:

- pay workers more
- invest more in modern apprenticeships, tertiary education and industry training
- encourage more innovation and smart, productive enterprises
- prosecute employers who fail to pay the minimum wage
- collect accurate data on the effects of low wages
- continue work on gender equity in employment
- abandon youth rates, except perhaps for a genuine training rate. (See box on previous page).

These steps could lead to an export-led, value-added, quality economy that lifts incomes, invests in skills and attracts workers into decent and productive working environments.

Lifting the minimum wage could, at a moderate cost, help to kickstart this vision of a sustainable future.

### **We say...**

**A rise in the minimum wage to two thirds of the average wage has the power to kickstart the economy in the direction almost everyone says they want.**

**Only when it has risen to two thirds of the average wage should it be indexed to the average wage – but not before – as this would lock in the drift between rich and poor. Government owes it to the community to make sure that this minimum standard, like all others, is both acceptable and truly enforceable.**

**Employers need to take the lead too, and start sharing the benefits of economic growth by paying workers better wages.**



“IN 19 YEARS WE’VE HAD A \$1.39C PAY INCREASE. WE’RE THE PEOPLE WHO HAVE BEEN TAKEN FOR GRANTED.”

Anne Bills is employed by Spotless and is a cleaner at the special baby care unit at Hawkes Bay Hospital, where she has worked on and off for 19 years. 19 years ago she was on \$8.86. The recent statutory increase to the minimum wage meant her pay rate was increased to \$10.25. The hospital finds it hard to employ cleaners, and Anne says that is because nobody wants to do the job for the low pay.

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“THE PAY SCALE DOESN’T MATCH THE JOB DESCRIPTION. THERE IS HIGH ACCOUNTABILITY FOR SUPPORT WORKERS BUT LOW PAY AND LIMITED TRAINING AND RESOURCES.”

Public Service Association delegate in disability support services.



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