



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Factsheet – Minimum Wage (Abolition of Age Discrimination) Amendment Bill

Updated May 2007

What does the bill do?

The Bill amends the Minimum Wage Act to remove the ability for the government to prescribe minimum wages that discriminate on the basis of age. It will affect 16 and 17 year olds, but not those under 16, who presently have no statutory protection.

How long have we had a youth rate?

A youth minimum wage was introduced with effect from 31 March 1994, and is currently set at \$9.00 per hour. When it was introduced it was 60 per cent of the adult minimum wage and covered everyone under 20. In 2001 the government removed the youth minimum wage for 18 and 19 year olds, but kept it for 16 and 17 year olds, at an increased percentage of the adult minimum wage (in a phased increase over two years - up from 60 per cent to 70 per cent in year one, and then up to 80 per cent in year two).

Why should we get rid of them?

The primary reason is that people should receive equal pay for work of equal value. Employers expect exactly the same level of work from 17 year olds as 18 year olds. 17 year olds don't get to scan the shopping 20% slower, or make burgers 20% slower. But employers can pay them less. It is untenable that workers should be discriminated against solely on the basis of age.

Won't it affect young workers' employment prospects?

The youth minimum wage has been lifted by 114% since 1999. This has not had any significant impact on either employment or educational enrolment.

Some business groups still argue that minimum wage increases will lead to decreased employment opportunities for workers, particularly younger workers. The last seven years stand as evidence to the contrary - a 61% increase in the minimum wage over the last seven years has coincided with the lowest unemployment in decades.

The experience of young workers further strengthens the argument in favour of scrapping youth rates. A Treasury working paper in 2004¹ by Hyslop and Stillman 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.

In 2005, Stillman² said that the impact of eliminating the youth minimum and/or extending the minimum wage to those aged under 16 years would "have very little effect on youth employment opportunities". (He did however qualify that comment by saying this may rely somewhat on weak compliance and also advocated exemptions for family-owned businesses, farms, and child minding).

¹ Hyslop, D. and Stillman, S. (2003) Youth Minimum Wage Reform and the Labour Market. Accessible from <http://www.treasury.govt.nz/workingpapers/2004/04-03.asp>.

² Steve Stillman (2005) "The Impact of Minimum Wages on the New Zealand Labour Market: Lessons from the 2001 Youth Minimum Wage Reform", Motu Forum Thursday 21st July 2005, Wellington.

More recently, in regard to the affordability of a minimum wage increase and an end to youth rates, a February 2006 survey of 286 businesses in the greater Wellington region conducted by Sherwin Chan Walshe³ found that 69 % of respondents agreed with raising the minimum wage to \$12 (although over the next three years), and **85 % said the move to end youth rates would not have a significant effect on their business.**

The Dominion Post editorial of 27th February 2006 supported lifting the youth minimum wage to the same level as the adult rate. The editorial noted that: *“It is ... hard to dispute the CTU argument for the abolition of the discrimination against 16 and 17-year-old workers, providing there are exemptions covering those genuinely in training. No one would argue that women should be paid less than men for doing the same job, and it is equally absurd to accept that a 16-year-old should get less than a 19-year-old just because of his birth date”.*

This same argument from some business groups was also used to oppose the 2001 increase in the youth minimum wage from 60% to 80% of the adult rate over a two year period. The net effect over this time was a 41% increase in the youth minimum wage payable to 16 and 17 year olds – a greater percentage than would now be required to increase it to the adult rate.

Aren't most young workers are just earning a bit of pocket money?

Some young workers may be. But a significant amount are not, they are working to support themselves or their family. 38% of children at low-decile schools in the Caritas Children's work survey were using at least some of their wages to support their family (compared with 13 % of children at high decile schools in the survey).

The youth minimum wage if applied to a worker doing 40 hours a week delivers a weekly take-home pay of just under \$290.00. This is an inadequate wage.

Young workers are learning on the job, shouldn't they be paid less?

Some argue that even if there is no formal training component in a job, young workers are often learning working routines and practices, and that the “learning by working” element should be reflected in a type of “training” rate.

The youth rate should not be seen as a type of proxy trainee rate. The Act already provides for an exemption for trainees on to a lower rate, and a lower rate for someone explicitly involved in formal training (and not based on the age of the trainee) is a completely different issue from the fairness of paying a 17 year old with 18 months experience a lower rate than an 18 year old with one week's experience – just because of their age.

The Bradford Bill leaves in place the current arrangement which allows someone involved in training for a work-related qualification greater than 60 credits to be paid at a rate of 80% of the adult minimum wage. The Bill therefore makes the sensible distinction between a ‘youth rate’ and a ‘trainee rate’.

Have any employers already moved on youth rates

Yes, and many don't pay youth rates at all. A number of significant employers are now recognising that discrimination against young workers cannot continue, and active union campaigns have assisted this realisation. Last year for example, BP Oil and Postie Plus reached agreement with unions to scrap youth rates.

³ “Minimum wage rise backed” Dominion Post Article, Marta Steeman, 27 February 2006.