



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi



Media Backgrounder CTU 2006 Wages Campaign Launch

What is happening today?

Today the statutory minimum wage increases from \$9.50 to \$10.25 for adult workers, and from 7.60 to 8.20 for 16 and 17 year olds. Department of Labour estimates¹ show that around 91,000 adults will be affected by today's increase, and 10,000 young workers.

Of the estimated 91,000 adults getting an increase today, 61,000 are women. Overall, an estimated 8% of all working women are affected by today's increase, 7% of all working Maori, and 9% of all working Pacific people.

Background to minimum wage and youth rates debate

The debate around our low wage economy was a feature of last year's election, and was reflected in Labour's governance arrangements with its support parties. In both its confidence and supply agreement with New Zealand First and its co-operation agreement with the Green Party, the new Labour government committed to having the adult minimum wage set at twelve dollars an hour by the end of 2008, "if economic conditions permit".

That New Zealand has a low wages crisis is now widely understood, and is in part an outcome of the highly visible union campaigns last year to lift wages, under the *Fair Share in 05* banner. The average increases for salary and ordinary time wages, for those workers that got an increase, was 5.4%.²

Youth rates remain at 80% of the adult minimum wage. Late last year Sue Bradford's *Minimum Wage (Abolition of Age Discrimination) Amendment Bill* was drawn from Parliament's ballot, and on February 22 this year it passed its first reading in the House and was referred to the Transport and Industrial Relations Select Committee.

What are unions doing?

Unions are marking the day with the launch of the 2006 wages campaign, with an initial focus on low and minimum wages, campaigning under banner the *Make Low Wages History*. This complements union campaigns to get rid of low pay rates in general and for decent pay increases for all workers, to build a high wage, highly skilled workforce. The second phase of the wages campaign this year will see sector and industry wide campaigns around wages and conditions.

¹ Department of Labour, 2005. *Minimum Wage Review 2005: officials' report*. Accessible from <http://www.ers.govt.nz/pay/background.htm>. Appendix E, Page 47.

² Statistics New Zealand, Labour Cost Index to December 2005 quarter.

The campaign is happening in workplaces – with unions organising to lift base rates and get rid of youth rates site by site and with a political campaign this year in support of ending youth rates through the Sue Bradford Private Members Bill.

Unions want a \$12 minimum wage now, not in 2008, and are calling on the government to introduce a \$12 minimum wage sooner rather than later. Workers in industries such as cleaning, aged care, fast food and retail are often on or close to minimum wage levels and a \$12 minimum wage will make a real difference to the incomes of these workers.

We also want employers to agree to a \$12 minimum wage now. Union campaigns such as SuperSizeMyPay.Com, Healthy Pay for Healthy Hospitals and Fair Share in Aged Care are campaigning in areas where employers are continuing to pay unacceptably low and in some cases minimum wages.

The Council of Trade Unions is also calling on employers to act now on youth rates, before the law requires them to. Earlier this month the Engineering, Printing & Manufacturing Union announced that they had reached agreement with BP Oil to phase out youth rates for BP owned petrol stations, and Unite have recently announced that they are in negotiations with fast food chains to phase out youth rates also.

Labour market effects

Business groups have argued that minimum wage increases will lead to decreased employment opportunities for workers, particularly younger workers. The last six years stand as evidence to the contrary - a 36% increase in the minimum wage over the last six 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 2004³ 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.

More recently, and in regard to the affordability of a minimum wage increase and an end to youth rates, we note a February 2006 survey of 286 businesses in the greater Wellington region conducted by Sherwin Chan Walshe⁴. The survey 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.

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³ 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>.

⁴ “Minimum wage rise backed” Dominion Post Article, Marta Steeman, 27 February 2006. Accessible from <http://www.stuff.co.nz/stuff/0,2106,3585234a13,00.html>