

Submission to the Ministry of Business, Innovation and Employment on the:

Minimum Wage Review 2026

Submitted by the New Zealand Council of Trade Unions Te Kauae Kaimahi

October 2026

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This submission is made on behalf of the 32 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (NZCTU). With over 370,000 union members, the NZCTU is one of the largest democratic organisations in New Zealand.

The NZCTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga), the Māori arm of Te Kauae Kaimahi (NZCTU), which represents approximately 60,000 Māori workers.

Introduction and summary of recommendations

1. The NZCTU welcomes the opportunity to submit on the Minimum Wage Review 2026. The minimum wage is an important policy tool that provides a wage floor for vulnerable workers. The NZCTU's view is that the overarching aim of the minimum wage should be to ensure that people in paid work can earn enough to live on.
2. This submission sets out the NZCTU's recommendations for the Minimum Wage Order 2027, and details the positive impacts we believe that a higher minimum wage would have. The main recommendations are:
 - The minimum wage should be lifted to the living wage, which is set at a level that means people can live with dignity and participate in society. The living wage for 2026/27 is \$29.90 per hour.
 - At minimum, it is essential the minimum wage increases in real terms in 2027, and that the ground lost over the last five years is recovered.
 - The training and starting out rates should be abolished so that all workers are protected by the minimum wage and that workers receive equal pay for work of equal value.
 - An independent tripartite commission should be established to support the calculation of an official living wage and to conduct research on the role played by the minimum wage in New Zealand economy and society.
 - MBIE should consider the potential extent of non-compliance with the minimum wage, particularly in industries with high numbers of migrant workers. MBIE should consider the resourcing necessary for the Labour Inspectorate to adequately investigate and respond to non-compliance.
 - The details of MBIE's modelling should be published as part of the review. The data and assumptions on which the modelling is based should be made publicly available to enable independent scrutiny and analysis of them.

A higher minimum wage is needed

3. The NZCTU's goal is to shift New Zealand to a high wage, high productivity economy. The minimum wage plays an important role in this by setting a wage floor below which working people should not be able to fall.

4. A higher minimum wage will have the following positive effects:
 - Support wage growth at the lower end of the wage distribution.
 - Support growth in aggregate demand.
 - Reduce poverty and especially child poverty levels.
 - Improve wage levels for demographics that disproportionately earn at or near the minimum wage – this includes women, Māori, Pacific, young, and disabled workers.
 - Lift wage rates in under-valued sectors such as retail, aged care, hospitality, and cleaning.
 - Increase labour participation rates, particularly of disadvantaged groups.
 - Encourage employers to invest in increasing productivity.
 - Narrow the wage gap with Australia.
5. In the remainder of this section, we outline the key reasons why a higher minimum wage is required, and some of the benefits that would flow from a higher minimum wage.

Low-wage economy

6. Compared to our wealthy country peers, New Zealand has relatively low wages. In 2025, average annual wages in New Zealand were \$60,896 (USD, PPP converted). This put us exactly in the middle of the pack of OECD countries, at number 19 of 38, but behind the OECD average of \$64,809.
7. If we compare New Zealand against only those OECD countries that are classified as 'advanced economies' (a smaller group of 31), then we are almost in the bottom third, at number 19 of 31.¹
8. New Zealand's comparatively low wages means that skilled New Zealanders are pulled offshore, particularly to Australia, where average annual wages were \$72,018 (USD, PPP converted) in 2025 – over 18% higher.
9. There are numerous causes of our relatively low wages. They include the relatively low rates of collective bargaining and in particular the absence of sector-wide bargaining; the erosion of employment protections since the passing of the Employment Contracts Act 1991; slow productivity growth; and an historic failure to move up the value chain in key industries – i.e., to move from low-value add agricultural exports to higher-value add manufacturing exports.
10. Bertram and Rosenberg have detailed a steep fall in the labour income share and also the 'wage ratio' – the ratio between the annual average wage and the annual average income per adult – the former since the early 1980s and the latter since 1991.² The fall in

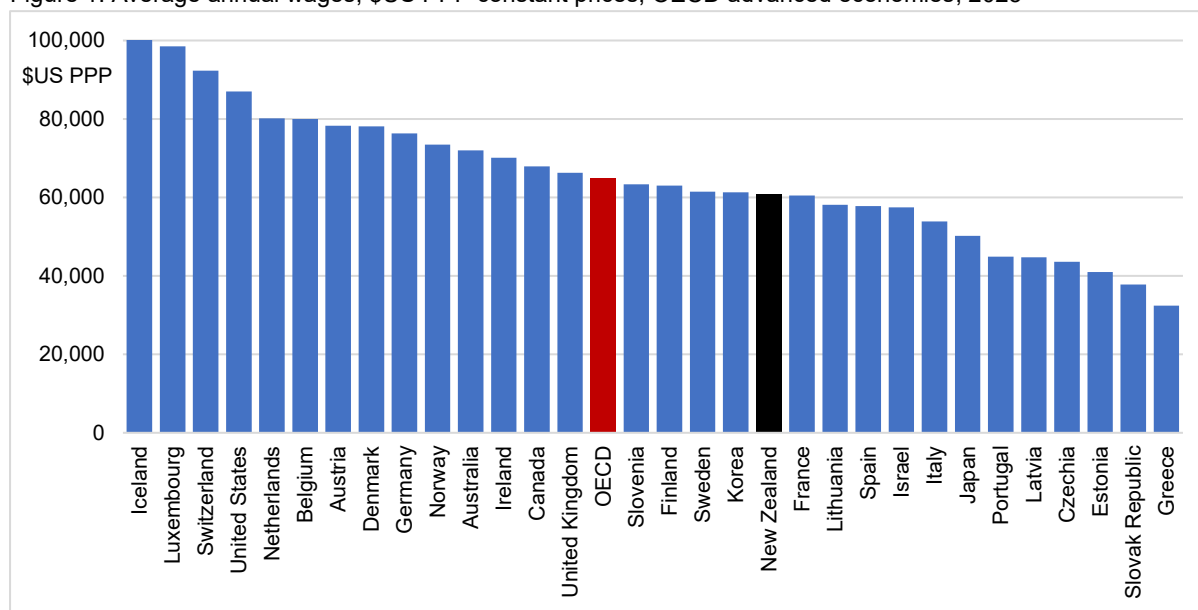
¹ Advanced economies as defined by the IMF: <https://www.imf.org/en/publications/weo/weo-database/2023/april/groups-and-aggregates>

² Geoff Bertram and Bill Rosenberg, 'The Employment Contracts Act 1991 and the labour share of income in New Zealand: an analysis of labour market trends 1939–2023', *New Zealand Economic Papers*, 2023.

these ratios mirror an increase in the proportion of income coming from profits and assets.

11. In addition, Rosenberg has shown that wages have not grown at the same pace as labour productivity over this period. He estimates that if wages had properly tracked productivity growth since the early 1990s then they would be around 14% higher today.³ This indicates that New Zealand's wage setting and bargaining systems are not effective in ensuring that the benefits of productivity improvements are fairly shared.

Figure 1: Average annual wages, \$US PPP constant prices, OECD advanced economies, 2025



Source: OECD. Advanced economies as defined by the IMF.

12. The declining labour income share, the fall in the wage ratio, and the failure of wages to grow in line with productivity are consistent with the effects of the economic restructuring of the 1980s and 1990s, and in particular the passing of the Employment Contracts Act 1991, which eliminated the national awards system and significantly reduced trade union membership and collective bargaining effectiveness and coverage. This has suppressed wage growth and meant that a larger share of national income has been captured by capital.
13. To shift New Zealand to a high-wage economy requires policy action on multiple fronts. Primary in this effort are structural changes that embrace the positive impacts of higher wages. Alongside this understanding, we require policy action across active industrial policy, significant enhancements in science and innovation policy, an elevation of collective bargaining, and a restoration of stronger employment protections.
14. In the ongoing absence of sector-wide wage bargaining, the minimum wage has a particularly important role to play in setting a wage floor and helping to shift us towards a higher-wage economy.

³ Bill Rosenberg, 'Work and wages: disempowerment by design', *Labour History Project Bulletin*, 2025.

Cost of living

15. The minimum wage has not kept up with rising inflation and living costs since 2021. This can be calculated using three different price indexes:

- Consumers price index all groups.
- Household living-costs price index all groups.
- Household living-costs price index, lowest-income quintile.

16. The CPI is most commonly used but is not the most accurate measure of actual cost-of-living inflation experienced by households, as it excludes important prices such as interest payment costs. The HLPI measures incorporate these prices and therefore provide a more comprehensive picture of living-costs inflation.

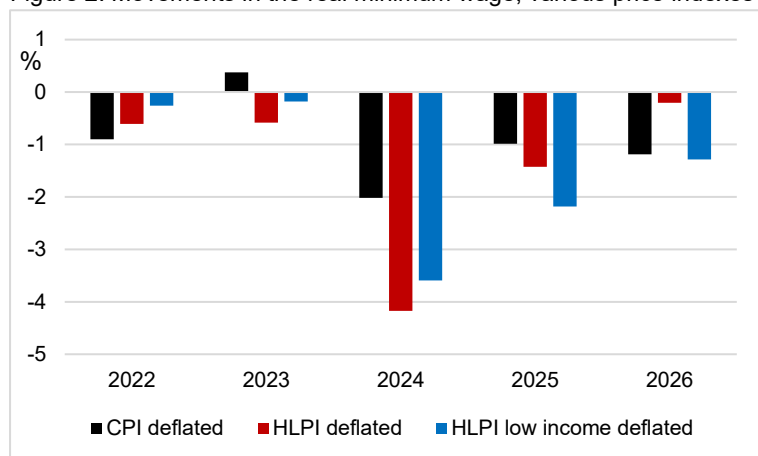
17. The HLPI set also breaks down living-cost inflation by household income quintile (and other measures). Going back to the beginning of the series in 2008, lower-income households have tended to experience higher living-costs inflation than higher-income households. Although not all minimum wage earners will be in the lowest-income quintile (as some will live in households with a higher-earning partner) it is nevertheless a good proxy measure for the living-cost inflation experienced by minimum-wage earners.

18. In April 2021 the minimum wage was increased to \$20.00 per hour, which was a real terms increase from 2020 on the CPI and HLPI measures. Since then, however, the minimum wage has largely fallen in real terms. Despite strong nominal increases in 2022 and 2023, in real terms the minimum wage fell in 2022 on both the CPI and HLPI measures; and in 2023 it increased marginally on the CPI measure but fell on the HLPI measures. From 2024–26 it has fallen on all measures.

19. All up, since 2021, the minimum wage has fallen:

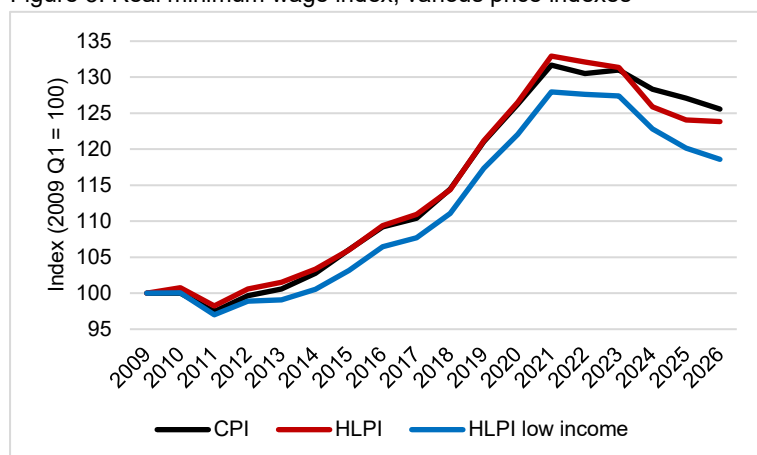
- 4.5% when deflated by CPI all groups.
- 6.5% when deflated by the HLPI all groups.
- 7% when deflated by the HLPI lowest-income quintile.

Figure 2: Movements in the real minimum wage, various price indexes



Source: MBIE; Stats NZ

Figure 3: Real minimum wage index, various price indexes



Sources: MBIE; Stats NZ

20. In terms of levels, compared to \$23.95 per hour from April 2026, had the legislated minimum wage maintained its real purchasing power since April 2021 the minimum wage would now be:

- \$25.07 if using the CPI all groups measure.
- \$25.61 if using the HLPI all groups measure.
- \$25.75 if using the HLPI low-income quintile measure.

21. These levels compare with the living wage from September 2026 of \$29.90 per hour.

22. The steep decline in the real minimum wage over the past three years will have caused significant hardship for households earning at or near the minimum wage. It has effectively baked in a decline in living standards for hundreds of thousands of workers.⁴

23. This will also have been acting as a drag on aggregate demand, as lower-income households have a higher propensity to spend. Consumer spending and confidence have been weak in recent years, which has contributed to the sustained economic downturn New Zealand has experienced since late 2022.

Role of the minimum wage in low-wage industries and inequality outcomes

24. The rate at which the minimum wage is set has particularly large impacts on workers in specific demographics and industries.

25. Women, Māori, Pacific, disabled, and young workers are disproportionately impacted by changes in the minimum wage rate because they are more likely to be earning at or near to the minimum wage than other groups. This is shown in Table 1, which reports data compiled by Motu researchers.

⁴ Maré and Hyslop record that around 185,900 New Zealanders earned the minimum wage in 2020: David Maré and Dean Hyslop, 'Minimum wages in New Zealand: policy and practice in the 21st century', Motu Working Paper, 2021.

Table 1: Percentage of employees earning below the next year's minimum wage, 2020

Men	7.3%
Women	12.3%
European NZ	8.0%
Māori	12.0%
Pacific Peoples	15.4%
16–17-year-olds	73.6%
18–19-year-olds	63.9%
20–24-year-olds	36.5%
25–64-year-olds	9.8%

Source: Maré and Hyslop (2021). This records the proportion of people in different demographics who are earning below the level of the following year's minimum wage.

26. Likewise, workers in low-wage industries such as aged care, cleaning, supermarkets and grocery, and hospitality are disproportionately affected. MBIE's own research into the wage structure of eight low-wage industries in 2022 confirms this, as shown in Table 2. In 6 of these industries, over half of employees were earning 120% or less of the minimum wage (which is the measure chosen by MBIE to represent low pay). In addition to the financial difficulties faced by workers in these industries, the low pay rates offered in these industries can create major problems in terms of recruitment and retention of staff.

27. As Hyslop et al find, the real terms increases to the minimum wage from 2000–23 in New Zealand have contributed substantially to reducing wage inequality. This impact on inequality is found to have arisen from a compression at the lower end of the wage distribution – that is, the minimum wage moving towards the average (mean) wage.⁵

Table 2: Percentage of employees earning 120% or less of the minimum wage, 2022

Industry	Percentage of employees earning 120% or less of min wage	Number of employees earning 120% or less of min wage
Aged Residential Care	50.45%	16,800
Buses	73.33%	3,300
Cleaners	85.95%	25,700
Early Childhood Education	40.65%	13,700
Forestry	32.35%	1,100
Hospitality	79.61%	65,600
Security	61.74%	7,100
Supermarket and Grocery	82.91%	38,800

Source: MBIE, Employment Relations Sector Reports (2024). MBIE represented those earning 'close to' the minimum wage as earning 120% or less of the minimum wage. Data is from 2022 HLFS.

Reducing poverty

28. The minimum wage is an important tool for reducing poverty in New Zealand. It is estimated that in 2025 (the latest available data) around 473,000 New Zealanders were living in material hardship (meaning they regularly are without multiple essential household items). This included 169,000 children, which is up an estimated 47,500 from 2022 (up 39%).

⁵ Dean Hyslop, David Maré, and Lily Stelling, 'Minimum wages and wage inequality in New Zealand', Motu Working Paper, 2025.

29. Around half of all children in material poverty come from households that are ‘working poor’, meaning that at least one adult in the household is earning wage income.⁶ Many of these households will be reliant on work that earns at or near the minimum wage.
30. Material hardship rates for children had trended down prior to 2022, before lifting again from 2022–25. This upsurge has been caused by the rising cost of living, lacklustre wage growth (including real term cuts to the minimum wage), the dramatic weakening of the labour market, and the government’s failure to reform the welfare system in a way that ensures a decent standard of living for recipients.
31. Lifting the minimum wage to the living wage would make a significant contribution to reducing material hardship in New Zealand and working towards the goals of the Child Poverty Reduction Act 2018.⁷

Disemployment

32. Arguments that a higher minimum wage will cause disemployment tend to be heavily exaggerated. The research both in New Zealand and internationally shows that disemployment effects are minor to non-existent.
33. In addition, taking a short-term perspective is likely to overstate immediate impacts, as it does not account for longer-term adjustments in firms’ hiring and pricing behaviour. The long-standing efforts to raise productivity continually point to the need for a long-term perspective across employment and hiring, workforce training, investments in innovation, research and development, and managerial expertise, among other things.

Setting the level for 2027

34. The NZCTU’s view is that the minimum wage should be set at the level of the living wage. The living wage is defined by Living Wage Aotearoa New Zealand as: ‘The income necessary to provide workers and their families with the basic necessities of life. A living wage will enable workers to live with dignity and to participate as active citizens in society’.⁸
35. The living wage is calculated by The Family Centre Social Policy Research Unit by estimating the average itemised costs for a typical household, and includes tax and Kiwisaver. The last comprehensive update was in 2023.⁹ Since then, the rate has been set in line with the annual movement in average ordinary time hourly earnings.¹⁰ The rate for 2026/27 is \$29.90.

⁶ Brian Perry, ‘Child Poverty in New Zealand’, report prepared for Ministry of Social Development, 2026.

⁷ This is also noted by the Child Poverty Action Group: CPAG, *A Manifesto to Reduce Child Poverty*, 2026.

⁸ Living Wage Aotearoa New Zealand: <http://www.livingwage.org.nz/about>

⁹ The Family Centre Social Policy Research Unit:

<https://assets.nationbuilder.com/nzlivingwage/pages/5437/attachments/original/1788205941/Living-Wage-rate-update-2023-FCSPRU.pdf?1788205941>

¹⁰ The Family Centre Social Policy Research Unit:

https://assets.nationbuilder.com/nzlivingwage/pages/5437/attachments/original/1788216401/Living_Wage_update_2026_FCSPRU_3_26_%281%29.pdf?1788216401

36. The NZCTU favours an immediate move to the living wage. Over the longer-term the establishment of an independent tripartite commission should be considered to support the calculation of an official living wage. Such a commission could also be tasked to research the role played by the minimum wage and its impact on New Zealand productivity, workers, economy, and communities.
37. As an absolute minimum, and without prejudice to our central recommendation, the minimum wage needs to increase in real terms in 2027. This means making up the ground lost over the last five years (as discussed above). To make up the ground lost over the last five years, and to account for forecast inflation in the year to March 2027 (which is forecast by the Reserve Bank to be 3.7%), the minimum wage would need to increase to:
- At least \$26.00 per hour in 2027 (an increase of 8.6%) using the CPI deflator.
 - At least \$26.55 using the HLPI all groups deflator (an increase of 10.9%) – there are no published forecasts for household living-costs inflation, so it is assumed the rate for the year to March 2027 is the same as forecast CPI.
 - At least \$26.70 using the HLPI low-income households deflator (an increase of 11.5%).

The starting out and training rates should be abolished

38. The starting out and training rates should be abolished so that all workers must be paid at least the minimum wage. This is for three central reasons.
39. First, it is unfair and discriminatory to pay lower wages to a worker performing the same work as another on the basis of age. Paying lower wages to one group of workers, based solely on their age, is contrary to the principle of non-discrimination in employment. This principle is covered by the ILO Convention 111 Discrimination (Employment and Occupation), which is one of the fundamental ILO conventions that New Zealand has ratified. Although proponents of these rates argue that young workers need orientation and training when they start a new job, the same logic applies to anyone who starts a new job. There is no evidence that young workers need more training and take longer to orient into work than older workers.
40. Second, trainees are faced with very low income while they are training. This can act as a strong disincentive to undertaking or continuing training in the first place. We therefore expect that paying trainees the adult minimum wage would improve the completion rate of work-based training or apprenticeships, which would support the development of a higher-skilled workforce.
41. Third, there is no evidence that the starting out rate improves employment outcomes for young people – i.e., that it makes it more likely they will be hired. Indeed, the issue can be approached from a different perspective, which is the positive incentive that a higher minimum wage can have on young peoples' willingness to work.

42. In the context of a structurally rising NEET rate, a higher minimum wage may therefore have a positive effect on the labour participation rate of younger workers. This is eminently desirable given the long-term negative outcomes associated with being NEET.
43. Finally, as part of the comprehensive review, we encourage MBIE to undertake research on the quantity and quality of training actually received by those on the starting out and training rates. The current justification of these rates relies to a large extent on anecdotal evidence or claims from employers.

Enforcement of minimum wage

44. In addition to recommending settings for the 2027 Minimum Wage Order, the review should consider options to improve compliance and enforcement of the minimum wage.
45. The Labour Inspectorate has been chronically under-resourced for many years, and inspectors are not able to respond to all complaints, including those of minimum wage breaches.
46. The Minimum Wage Review should therefore assess the level of non-compliance with the minimum wage, what the risk factors are in different industries, and what further resources would be required for the Labour Inspectorate to respond in a timely manner to all complaints of such breaches and to proactively enforce labour standards. This is particularly important in industries with large concentrations of migrant workers, such as in horticulture, aged care, and construction.

Conclusion

47. The NZCTU thanks MBIE for the opportunity to submit on the Minimum Wage Review 2026.
48. We reiterate the importance of lifting the minimum wage to the living wage and abolishing the training and starting out rates. This will ensure all workers are paid fairly for their work and can enjoy a decent standard of living. It will also have other positive effects, as detailed in this submission.
49. The underlying point of the minimum wage is to ensure that working people have enough to live on. This should be reflected in the setting of the minimum wage for 2027 and in future reviews.

For further information, please contact

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Appendix: Responses to specific questions

Question 1 What positive effects could minimum wage increases have for: • employees? • employers or businesses? How might current economic conditions, such as cost-of-living pressures or unemployment, affect these positive effects?
<i>Please see our comments in the submission above.</i>
Question 2 What negative effects could minimum wage increases have for: • employees? • employers or businesses? How might current economic conditions, such as cost-of-living pressures or unemployment, affect these negative effects?
<i>We do not expect that a higher minimum wage would have negative impacts for employees.</i>
Question 3 What should the adult minimum wage rate be in 2027? (Please give a specific dollar amount or percentage increase and explain your answer).
<i>Please see our comments in the submission above.</i>
Question 4 Is there anything else you would like us to consider about the adult minimum wage rate or minimum wage legislation in New Zealand?
<i>Please see our comments in the submission above.</i>
Starting-out and training minimum wages
<i>The starting-out wage allows employers to pay eligible workers aged 16 to 19 a lower wage rate (80 percent of the adult minimum wage) for up to six months, if certain criteria are met.</i> <i>The training wage allows employers to pay eligible workers undergoing training or an apprenticeship and are aged 20 or over, a lower wage rate (80 percent of the adult minimum wage), if certain criteria are met.</i> <i>You can find more information about the starting-out and training wage here:</i> https://www.employment.govt.nz/pay-and-hours/pay-and-wages/minimum-wage/minimum-wage-rates-and-types.
Question 5 Do your members receive the starting-out wage, training wage, or both? Approximately what proportion of your members receive each rate?

What types of roles or workers typically receive these rates?
<i>Very few. Our affiliates reject youth rates in collective agreements on the moral basis of 'equal pay for work of equal value'.</i>
Question 6 How much do the starting-out and training wage settings influence the employment opportunities available to your members or the decisions your members make around applying for/accepting jobs?
<i>Not at all. Our affiliates represent supermarket and grocery workers, fast food workers, hotel workers, cleaners, security guards, and bus drivers, among other low-wage workforces. Those employers are perfectly able to pay adult rates when challenged to do so.</i>
Question 7 Are the current eligibility rules for using the starting-out and training wages appropriate? Please explain your answer.
<i>You can find more information and eligibility criteria for the starting-out and training wage here: https://www.employment.govt.nz/pay-and-hours/pay-and-wages/minimum-wage/minimum-wage-rates-and-types.</i>
<i>Please see our comments in the submission above.</i>
Question 8 Are the current starting-out and training wage rates (80% of the adult minimum wage) appropriate? Please explain why.
<i>It is our position that only 100% is not in breach of anti-discrimination laws. For further comment please see our submission above.</i>
Question 9 What, if any, changes would you recommend to the starting-out or training wage settings? Please explain why.
<i>As noted in our submission above, our position is that these should be abolished.</i>
Employer responses to minimum wage increases
Question 10 Which of the following actions did your members experience in response to an increase in the adult minimum wage in 2026? Please select all that apply.
☐ Reduced hours of work for current employees ☐ Employers not hiring new employees or not replacing employees who left the business ☐ Employees being made redundant ☐ Increased wages or salaries for employees already paid above the minimum wage

- ☐ Delayed pay increases for employees already paid above the minimum wage
- ☐ Automation of tasks or processes
- ☐ Increased the use of casual, temporary or contract workers
- ☐ Employers hiring fewer young or inexperienced workers
- ☐ Increased investment in training and professional development
- ☐ Reduced investment in training and professional development
- ☐ Reduced non-wage employment benefits (insurance, wellbeing payments, etc)
- ☐ Increased price of goods or services
- ☐ Reduced range or level of services or products offered
- ☐ Additional costs absorbed through lower profits
- ☐ Other (please specify)

We note that question 10 is heavily biased towards costs for businesses. There is also possibility of labour supply increasing if the minimum wage increases, and of lower workforce turnover, among other positive impacts. These potential impacts are not accounted for in this question.

Question 11

Please explain how any or all of the above actions would impact your members?

Youth employment outcomes and the minimum wage

Question 12

What benefits could a minimum wage increase have for young people aged 16–24? What challenges could it create?

It could encourage more young people into paid employment. It would let some of them contribute more to the household income to reduce poverty. It would add to dignity/mana by not being devalued. We do not believe it would create any challenges. For further information please see our submission above.

Question 13

Are some groups of young people more likely to be impacted by the benefits or challenges you identified above than others? If yes, which groups and how?

Yes. Young people who live in larger, multigenerational households and contribute to household costs will be more impacted by the benefits of removing youth rates as they will be able to contribute more for the good of the household.

Young people who are independent from their families at a young age and have to meet their full living costs like an adult will also benefit from removing youth rates.

Young people in certain demographics, particularly young Māori and Pasifika workers, will likely be disproportionately positively impacted by a higher minimum wage rate; conversely they will be disproportionately negatively affected if the minimum wage rate does not increase in real terms.

Question 14

Based on your experience, what are the main barriers that make it difficult for young people to:

- enter employment?
- remain in employment?

The challenges are various, and the minimum wage is only one component of addressing them. Key challenges include:

- *Having less experience relative to older workers in a weak job market.*
- *Lacking the skills necessary to gain employment.*
- *Rising mental health problems.*
- *Practical barriers such as lack of a drivers licence.*
- *Poor prior education outcomes.*
- *Growing up in material hardship or poverty.*
- *Regional variation in job availability.*

Question 15

How might minimum wage increases affect the choices of young people aged 16–24? Please select all that apply and explain your answer.

- ☒ Make entering paid work more attractive
- ☒ Make remaining in paid work more attractive
- ☒ Affect decisions about education or training
- ☒ Affect decisions about moving to another region for work
- ☒ Affect decisions about working overseas
- ☐ Have no significant effect
- ☐ Don't know
- ☐ Other (please specify)

See our comments in the submission above.