

# Minimum Wage Review 2016

**Submission to the Ministry of Business Innovation and  
Employment**

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## **Contact**

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**NEW ZEALAND NURSES ORGANISATION | PO BOX 2128 | WELLINGTON 6140**

### About the New Zealand Nurses Organisation

NZNO is the leading professional nursing association and union for nurses in Aotearoa New Zealand. NZNO represents over 47,000 nurses, midwives, students, kaimahi hauora and health workers on professional and employment related matters. NZNO is affiliated to the International Council of Nurses and the New Zealand Council of Trade Unions.

NZNO promotes and advocates for professional excellence in nursing by providing leadership, research and education to inspire and progress the profession of nursing. NZNO represents members on employment and industrial matters and negotiates collective employment agreements.

NZNO embraces te Tiriti o Waitangi and contributes to the improvement of the health status and outcomes of all peoples of Aotearoa New Zealand through influencing health, employment and social policy development enabling quality nursing care provision. NZNO's vision is *Freed to care, Proud to nurse*.

## EXECUTIVE SUMMARY

1. The New Zealand Nurses Organisation (NZNO) welcomes the opportunity to comment on the Minimum Wage Review 2016.
2. NZNO is affiliated to the New Zealand Council of Trade Unions - Te Kauae Kaimahi (NZCTU) and supports its submission and cogent, evidenced rationale for indexing the minimum wage to two thirds of the average wage.
3. NZNO's membership comprises 47, 833 nurses, midwives, students, kaimahi hauora and other health workers. It is predominantly female, representing around 1/20th of all working women, and a much higher proportion of women working in health care, and in the health workforce as a whole (based on June 2016 New Zealand Labour Market Survey data).
4. Health care is an industry where traditional gender-based wage disparities persist, and this is exacerbated in low-paid health care settings such as aged care, and community health where there are also disproportionate numbers of Māori, Pacific and migrant health workers, including many internationally trained nurses (IQN) working as unregulated health care assistants.
5. We can testify to the critical impact that the minimum wage has on the health of workers and their families and the urgent need to increase it to a level that helps people, families, whānau to be self-sufficient and participate fully and equally in society.

6. NZNO also notes that changing patterns in employment and demography, precipitated by advances in knowledge, technology and globalisation, signal the need to consider additional and/or alternative support mechanisms for workers, such as the living wage or universal basic income (UBI).
7. The minimum wage must also be seen in the context of progressing the United Nations Sustainable Development Agenda 2030<sup>1</sup>, which has been ratified by all Member States including Aotearoa New Zealand, and came into effect earlier this year.
8. Ensuring decent employment conditions to sustain healthy people and healthy development is an integral part of the suite of economic, social and environmental objectives to reduce inequity within and between nations, end poverty, and ensure a sustainable future for the planet and its inhabitants.
9. NZNO **recommends** that the minimum wage is indexed to 66 percent of the average wage, estimated as \$19.88 by the NZCTU.
10. We further recommend that you consider the health, environmental and economic burden of our low wage economy (New Zealand Council of Trade Unions, 2014) and develop complementary strategies for ensuring fair wage structures that address the unacceptably disparate and inequitable distribution of income and wealth in this country (Rashbrooke, 2013).

## DISCUSSION

11. NZNO has consistently campaigned for better, fairer wages and conditions for vulnerable workers, in aged care (All the Way for Equal Pay<sup>2</sup>), for example and for those working in Māori and iwi services where wages are up to 25 percent lower (Te Rau Kōkiri).
12. We also support pay and employment equity: NZNO is one of the increasing number of organisations which have chosen to become an accredited living wage employer; and, along with the Service and Food Workers Union, has supported the Kristine Bartlett v Terranova Homes pay equity case.
13. However, the strength of our submission rests on the fact that our 47,833 members deliver health care in *every health setting* throughout the country. We know the conditions that people are living, working and bringing up their children in in Aotearoa New Zealand, and we know that for far too many people, they are neither healthy nor equitable. Evidence of poverty, particularly children growing up in poverty, is

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<sup>1</sup> <http://www.un.org/sustainabledevelopment/development-agenda/>

<sup>2</sup> [http://www.nzno.org.nz/get\\_involved/campaigns/equal\\_pay](http://www.nzno.org.nz/get_involved/campaigns/equal_pay)

abundant and it is significant that a large proportion of these are in households where there is an income earner (Expert Advisory Group on Child Poverty, 2012).

14. Clearly wages in Aotearoa New Zealand are low; work is increasingly insecure, part-time (Statistics New Zealand, 2016) and precarious (New Zealand Council of Trade Unions, 2013); income inequity has increased; and the benefits of increasing productivity have largely and iniquitously accrued to capital rather than wage earners.
15. We refer you to section 2 of the NZCTU's submission for the evidence that Aotearoa New Zealand's low wages have become an intrinsic barrier to economic development and that the wage system, such as it is, wage system has not ensured that a fair share of the growth in productivity.
16. The minimum wage is one instrument that can help to address the extreme and unjustified imbalances of power and wealth that have emerged as a result of global and demographic pressures, new technologies and changes in the employment environment.
17. The risks of not addressing such imbalances has been acknowledged by the unanimous adoption of the United Nations' comprehensive Sustainable Development Agenda 2030, and commitment by all countries – low, middle, and high income - to implementing strategies and monitoring to achieve the 17 Sustainable Development Goals (SDGs). The goals present an integrated social, economic and environmental programme to reduce poverty, address climate change, and facilitate equitable and sustainable development within and between countries.
18. SDG 8 addressing *Decent work and economic growth* aims to promote sustained, inclusive and sustainable economic growth and identifies a number of sub goals to address poverty and inequity in employment. These include specific strategies to protect labour rights and employment conditions and counter entrenched discrimination against women, migrant, precariously employed, and young workers.
19. Having signed up to the SDGs, there is no reason for Aotearoa New Zealand to delay ratifying ILO Convention No. 131 on Minimum Wage Fixing. NZNO is confident that the result of an effective framework for consultation on wage fixing would be concurrence on the minimum wage being indexed to two thirds of the average wage ie \$19.88.
20. This is close to the living wage which is being increasingly adopted by responsible private and public sector employers. (In this context it is worth noting that the Sustainable Development Agenda 2030 is predicated on participation by state and non-state actors "across all sectors" of civil society, including private, independent and commercial

stakeholders; the number of living wage employers could be a useful measure of progress on SDG 8.)

### Impact of Minimum Wage

21. Only twenty percent of workers have pay rates covered by collective agreements, most in the public sector (Blumenfeld, Ryall, & Kiely, 2016, p12). About half of NZNO's members are covered by the District Health Board Multi—Employer Collective Agreement (DHB MECA) and the minimum wage is an influential factor in collective bargaining. Others working in private hospitals, public health organisations (PHO), community and residential care, Plunket etc. are covered by a range of collective agreements, most of which are equivalent or on track to achieve, pay parity with, DHB MECA rates, or above. (See: [http://www.nzno.org.nz/support/collective\\_agreements](http://www.nzno.org.nz/support/collective_agreements))
22. The exceptions are the aged care sector and Māori and Iwi providers where pay rates and conditions continue to languish well below the DHB MECA rates.
23. The aged care sector, which has the highest proportion of low paid and minimum wage health workers, is also the sector that has lowest professional wages (see, for example, Immigration New Zealand's Preliminary Indicator Evidence Reports (PIER) July 2016)<sup>3</sup> the highest turnover, a high proportion of internationally qualified nurses, and highest number of professional conduct cases. It has a significant adverse impact on the health workforce and health system as a whole (Ravenswood, Douglas, & Teo, 2014; Zurn & Dumont, 2008).
24. Aged Care employers are essentially all minimum wage employers, and expect all minimum wage increases to be funded through DHB Age-Related Residential Care Agreements (ARRC contracts), not out of their profits. In this year's bargaining, for example, several aged care contractors argued that most (0.8%) of the 1% funding increase under the ARRC contract was used for pay for the minimum wage increase and accordingly their offers were very low: 0.2% or 0.3%. Some limited even those offers to those employees who did not get the minimum wage increase.
25. Rises in the minimum wage have superseded lower rates in some collective agreements in aged care, the effect of which has been to limit pay progression for experience somewhat. However, for some of our members and many others, rises in the minimum wage represent

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<sup>3</sup> The base salary for Registered Nurses (Aged Care) is \$40,900; by comparison the base salary for RNs in Mental Health the average is \$65,000.  
<https://www.immigration.govt.nz/documents/skill-shortage-lists/essential-skills-in-demand-review-documents/registered-nurse-aged-care-pier.pdf>  
<https://www.immigration.govt.nz/documents/skill-shortage-lists/essential-skills-in-demand-review-documents/registered-nurse-mental-health-pier.pdf>

the only rise they will receive and does at least set a baseline from which to bargain.

26. For non-unionised workers, ie 80% of the workforce, there is currently *no other wage fixing process* to enable that wages will increase in relation to experience, skills and qualifications, or be fairly adjusted in relation to cost of living increases which disproportionately affect low income earners<sup>4</sup>.

### Minimum wage level

27. The level of the minimum wage in relation to the average wage was significantly higher (80%) when first introduced in 1945 than is currently the case, where it is a little over half. This reflects the erosion of the purpose of this, and other social security legislation, which was to enable all New Zealanders to fully participate in society, regardless of their health or employment status.
28. The current level is so low as to preclude many workers' participation in housing, health, transport, or even as a taxpayer. An inadequate minimum wage effectively acts as a subsidy to employers, either disproportionately boosting profits, or propping up inefficient practice – the taxpayer makes up the difference to a liveable wage.
29. Private Aged Residential Care (ARC) businesses, for instance, is triply subsidised in working for family subsidies, subsidised care for residents and free hospital care for residents when they need it, regardless of whether inadequate care has contributed to the need for hospitalisation. The high number of admissions of older persons for preventable illness such as medication errors, urinary tract infections, bedsores and falls may be a consequence of inadequate ARC staffing and resources, but, bizarrely, DHB admissions data does not allow this to be interrogated.
30. Healthy economies are both a reflection and outcome of healthy populations and resilience is built not by austerity, but by investment in people particularly the most vulnerable (Stuckler & Basu, 2014).
31. The minimum wage must be set at a level that respects the dignity and rights of workers and enables them to meet basic living expenses. Equally it should ensure productive and efficient business practice.

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<sup>4</sup> As the CTU submission points out: On 6 October, Statistics New Zealand published price indexes for households with different incomes and expenditure for the period June 2008 to September 2015<sup>4</sup>. It shows that between June 2008 and September 2015, the lowest income 20 percent of households experienced annual inflation at a considerably higher rate than the highest income 20 percent: at an average annual rate of 2.1 percent compared to 1.3 percent (on a payment-based framework, so not directly comparable to the CPI).

32. In the light of widespread and rapid changes to employment patterns, where work is unlikely to be continuous or predictable, we suggest consideration should also be given to other social security mechanisms such as the UBI as advocated by economist Professor Guy Standing

### Hours of work

33. We note that minimum wage offers only partial protection to low paid workers and was more meaningful in terms of a reliable income that when there was a common understanding that a working week comprised 40 hours, and when most jobs had fixed full and part-time hours.
34. Although the typical working week in the 2015/16 analysis of employment agreements is still 40 hours, that trend is decreasing (Blumenfeld, Ryall, & Kiely, 2016, p13).
35. It is difficult to have a realistic understanding of how the minimum hourly rate will translate into a weekly, monthly or annual wage for individuals and families, because there is insufficient credible data and analysis of what is happening in the labour market, especially at the low paid end where casual and temporary work dominates.
36. In the current employment environment, there appears to be no consistent understanding or consensus of how many hours constitutes full, part-time casual or even any employment. For example, one hour per week counts as being employed by Statistics New Zealand; 30 hours qualifies as fulltime employment for the purpose of rehabilitation and compensation according to ACC, while elsewhere 35 hours indicates fulltime employment.
37. More research is needed in this area. Many healthcare support members predominantly women, Māori and Pacific, migrants and other vulnerable people on or just above the minimum wage, struggle to secure enough guaranteed hours to meet what they need to cover basic living costs and what they are available to do. The consequence is that they are often compelled to hold down two or more part-time jobs in an effort to make ends meet and this leads to long hours and double shifts, which compromise their own and others health and safety and a very poor work/life/family balance.

### Youth rates

38. It is particularly important to protect young people and support their transition into employment. The 'Starting Out' rate for 16 year olds and the training rate for under-20s do neither, while the continued inaction on setting minimum wage levels for young people under 16 years old is unacceptable.



39. We recommend that subminimum rates for young people are repealed and that you develop a threshold for the entry of young people into work that includes the setting of minimum wage levels for young people under 16 years old.

### Gender and other discriminatory pay gaps.

40. Health care, particularly the lower wage end of health care, is an industry that is dominated by women and it is alarming that the gender pay gap is increasing. The changes in hourly earnings for men and women resulted in a gender pay gap of 12.0 percent in the June 2016 quarter, compared with just over 9 percent in the June 2012 quarter.



Figure 1 Labour Market Statistics (Income) June 2016, Statistics New Zealand

41. Similarly, the gap between median Māori wage and salary incomes compared with European incomes have increased over the past 10 years (New Zealand Income Statistics). As in aged care, pay scales for both regulated and non-regulated workers in Māori and iwi health settings are up to 25 percent lower than in DHBs, there is a higher proportion of minimum and low wage earners.
42. Raising minimum wage has the potential to reduce entrenched wage disparities for Māori, Pacific, migrant and other vulnerable groups, who also face structural discrimination (Human Rights Commission, 2012) .

### Enforcement

43. Finally we note that, regardless of statute, employment standards without robust inspection and enforcement procedures are meaningless. While we acknowledge that the labour inspectorate has



been substantially increased, it is still insufficient in comparison with similar countries like Australia which has about twice the ratio of labour inspectors to workers.

44. There have been significant breaches of employment law in terms of record keeping, pay rates, hours of work, workloads etc. which add up to sustained exploitation particularly of migrant workers (James, 2011). NZNO has taken legal action to protect members, including IQN members, from breaches of employment standards.
45. More thorough enforcement, i.e. through substantially increasing the capacity of the labour inspectorate, and stronger penalties should be used to ensure comprehensive adherence to the minimum wage.
46. NZNO joins the NZCTU in urging a review of the Minimum Wage Exemption Permits. While incomes for people who are on minimum wage exemption are in most cases supplemented by benefits, the current practice is embedding poverty and discrimination and is based on historical and outdated models of disability that prevent people with disabilities having opportunities to enjoy the same basic human and employment rights as others.

## CONCLUSION

47. In conclusion NZNO recommends that you:

- **note** our support for the rationale and recommendations in the NZCTU's submission;
- **consider** the minimum wage in the wider context of equity and sustainable development and in particular, to the internationally agreed UN Sustainable Development Agenda 2030 and SDGs;
- **agree to** index the minimum wage to two thirds of the average wage;
- **agree to** ratify ILO Convention 138;
- **repeal** subminimum rates for young people, including starting out rates and training rates for under-20s;
- **ensure** a threshold for the entry of young people into work that includes the setting of minimum wage levels for young people under 16 years old;
- **strengthen** the labour inspectorate; and
- **increase** penalties for breaches.

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