Increasing the Minimum Wage

Ways of keeping payroll costs affordable in retail and hospitality.

Issues

Increasing the Minimum Wage means that workers get paid more. A Minimum Wage increase impacts not only those who earn least - but generally flows through to higher wage-earners. That is because employers need to maintain relativities in pay rates between new and unskilled staff, and those who have been working productively in a business for a while.

The Minimum Wage is a blunt instrument. It does not reflect the profitability of individual businesses or sectors, and it does not reflect the contribution that individual team members make. Someone who has just finished studying may not deliver the same outcomes for a business that someone might make after 12 months or five years of experience.

The Minimum Wage has been increasing at a rate faster than growth in revenue across the retail sector. This is not sustainable, especially in the current environment as many retailers are struggling to survive the impacts of COVID-19.

Increasing the Minimum Wage to $20 will:

- encourage employers to reduce the hours of work available to team members to offset the costs;
- encourage employers to employ only experienced people;
- make it harder for those new to the workforce (or those returning to the workforce) to find jobs;
- encourage employers to seek productivity improvements that lead to smaller numbers of jobs overall; and
- result in an increase to the cost of goods, which will have the greatest impact on those on the lowest incomes.

Solutions

Halt all Minimum Wage increases until the COVID-19 situation is under control, or there is a significant increase in overall economic productivity.

Extend the Starting Out Wage to apply to *all* employees aged under 18.

Tie Minimum Wage increases to the performance of individual employers or sectors.

Introduce Government subsidies to support continued employment in the retail and hospitality sectors, equal to the total value of each Minimum Wage increase.

Retail NZ