Minimum Wage Review 2026: Employer Questionnaire

Question 1

Are you answering the questionnaire on behalf of your own business or on behalf of your members?

Retail NZ is a membership organisation that represents the views and interests of New Zealand's retail sector. We are the peak body representing retailers across Aotearoa, with our membership accounting for nearly 70% of all domestic retail turnover. New Zealand's retail sector comprises approximately 30,000 businesses and employs around 222,000 Kiwis. Retail NZ surveyed our membership in the preparation of this submission.

Table 1 and 2 show the distribution of annual turnover and the number of employees of member businesses who participated in our minimum wage survey.

Table 1. Turnover of survey respondents

Turnover band	% of Respondents
Below $500k	14.3%
$500k to $1.5m	39.8%
$1.5m to $3m	18.4%
$3m to $10m	16.3%
Over $10m	11.2%

Table 2. No. of employees of survey respondents

Employees	% of Respondents
1 to 5	37.8%
6 to 19	36.7%
20 to 49	13.3%
50 to 99	6.1%
100 or more	6.1%

Question 2

What positive effects could minimum wage increases have for:

- employers or businesses?
- employees?

How might current economic conditions, such as cost-of-living pressures or unemployment, affect these positive effects?

Retailers identified few direct business benefits from minimum wage increases. The most commonly cited positive effect was helping employees manage ongoing cost-of-living pressures. Some respondents also noted potential benefits for staff morale, retention and financial wellbeing.

However, many retailers expressed scepticism that raising the minimum wage leads to stronger consumer spending or improved business performance. Our members say increases to the minimum wage create pressure on them to raise wages right across their workforce to maintain pay differentials, which increases their overall labour costs. The majority of members who provided feedback on this

consultation view minimum wage increases as benefiting employees, rather than benefiting retail businesses directly.

In Retail NZ's quarterly pulse check survey to members, 81% of respondents told us cost-of-living pressures are among their biggest concerns, suggesting that they believe cost-of-living relief would benefit their business, but that minimum wage rises are not the mechanism to achieve that.

Question 3

What negative effects could minimum wage increases have for:

- employers or businesses?
- employees?

How might current economic conditions, such as cost-of-living pressures or unemployment, affect these negative effects?

Retail is a low-margin sector. Retailers of all sizes operating on fine margins face higher labour costs that the sluggish economy makes difficult to recover. Wages in NZ have not kept pace with the rising cost of living and high fuel costs have further eroded consumer spending, forcing them to focus spending on essentials and squeezing discretionary budgets. Retailers are working harder than ever for every dollar through the checkout.

Successive minimum wage increases compress the salary range of staff sitting near the minimum wage, creating pressure to increase wages above the minimum for more experienced staff, team leaders and supervisors. Retail NZ's 2026 Wages Guide found average retail wages increased only 0.98% while the minimum wage increased 1.91%, continuing the compression effect. During weak trading conditions like New Zealand is currently experiencing, retailers respond through price increases, reduced hours, delayed hiring, automation, and reduced investment.

In our survey, our members overwhelmingly reported that minimum wage increases would increase financial pressure on retailers already facing challenging trading conditions. The most common concerns were affordability, pressure to increase wages across the workforce, reduced profitability, and the need to cut staff hours or recruitment. Many respondents also said higher labour costs would ultimately be passed on through higher prices, limiting any lasting benefit for employees. A recurring theme was that the current economic conditions, including weak consumer spending and rising operating costs, make minimum wage increases particularly difficult for businesses to absorb.

Question 4

What should the adult minimum wage rate be in 2027? (Please give a specific dollar amount or percentage increase and explain your answer).

Retailers acknowledge that the cost of living is very high for employees, but trading conditions are tough so many businesses find any increase in costs challenging to absorb. Electronic Card Transaction data from August 2026 showed spending was -0.01% on the previous year. 57% of retailers in a recent Retail NZ pulse check survey reported missing targets in the previous quarter. Any rise in the minimum wage - which should be viewed alongside proposals to increase

employment costs in other areas, such as KiwiSaver - should be modest, as this would give business the best chance of absorbing the impact. A modest rise would limit the impact on employee hours and job opportunities.

Retail NZ urges the Government to focus on policies that lower the cost of doing business and simultaneously tackle the high cost of living.

Question 5

Is there anything else you would like us to consider about the adult minimum wage rate or minimum wage legislation in New Zealand?

Retail NZ is concerned that minimum wage growth is becoming increasingly disconnected from productivity gains.

Many retailers in our survey reported that minimum wage increases create upward pressure on wages across the wider workforce.

Respondents noted that minimum wage increases are only one component of rising employment costs and should be considered alongside changes to KiwiSaver contributions, leave entitlements and other regulatory obligations. Retail provides the first job experience for many young New Zealanders. 16-and-17-year-old employees are also now entitled to compulsory employer KiwiSaver contributions as of 1 April 2026. This demographic is particularly relevant, as they are likely to receive either the starting-out wage, training wage, or minimum wage, and is another example of rising employment costs to be factored in alongside minimum wage.

Some members in our survey also raised concerns that higher wage floors make it harder to employ younger and less experienced workers.

A recurring theme throughout the survey responses was the risk of an inflationary cycle, where higher wages contribute to higher business costs and prices, eroding the intended benefit for workers. While retailers recognise the need to address cost-of-living pressures and support lower-income New Zealanders, many believe this should not rely solely on employer-funded wage increases. Instead, they called on the Government to consider a broader range of measures that improve affordability without adding further costs to businesses.

Table 3. The percentage of respondents to our survey and the proportion of staff on their payroll that are paid minimum wage.

Table 3. Direct minimum-wage exposure

Staff at adult minimum	Share
No staff on min. wage	46%
Under 10%	9%
10% to 24%	13%
25% to 49%	9%
50% or more	22%

Table 4. The percentage of respondents to our survey and the proportion of staff on payroll within 10% of the current minimum wage. Raising the minimum wage would close the gap with staff in this wage band.

Table 4. Staff within 10% of adult minimum

Near-minimum share	Share
None	17%
Under 10% of staff	13%
10% to 24% of staff	18%
25% to 49% of staff	13%
50% or more of staff	38%

Starting-out and training minimum wages

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.

The training wage allows employers to pay eligible workers undergoing training or an apprenticeship and aged 20 or over a lower wage rate (80 percent of the adult minimum wage), if certain criteria are met.

You can find more information about the starting-out and training minimum wages here:
https://www.employment.govt.nz/pay-and-hours/pay-and-wages/minimum-wage/minimum-wage-rates-and-types.

Question 6

Does your business, or do your members, use the starting-out wage, training wage, or both? Approximately what proportion of roles use each rate?

What types of roles or workers typically receive these rates?

Retail NZ's members use both the starting-out and training wages, primarily in entry-level retail assistant roles, apprenticeships and structured training environments. However, when we surveyed our members, 79% of the respondents didn't use the starting-out wage or the training wage.

Question 7

If the starting-out or training wage rates are used, what are the main reasons for using them?

If these wage rates are not used, what are the main reasons for not using them?

Reasons cited include concerns about fairness – for example, paying young or inexperienced staff the same or similar to more experienced staff. Other retailers

say the process of administering the training wage or starting out wage is too difficult, while some also told us their workers were not eligible. Of those that did pay the starting-out wage or the training wage, a small number said it helped lower staff costs and allowed them to take on younger or more inexperienced staff.

Question 8

How much do the starting-out and training wage settings affect decisions to hire young people?

The settings have a meaningful impact on retailers hiring younger workers. They help reduce risk when recruiting people with limited work experience and may incentivise retailers to invest in training for new starters.

However, some retailers choose not to take advantage of the starting-out wage or training wage because they perceive the administrative effort to be too high, therefore the starting-out wage and training wage would have no material impact on hiring decisions.

Question 9

Are the current eligibility rules for using the starting-out and training wages appropriate? Please explain your answer.

You can find more information about the eligibility criteria for the starting-out and training minimum wages here:https://www.employment.govt.nz/pay-and-hours/pay-and-wages/minimum-wage/minimum-wage-rates-and-types.

The current eligibility rules are appropriate for retailers. However, Retail NZ would support efforts to reduce the administrative burden associated with implementing the starting-out wage and training wage, as a number of members said it was difficult for them to administer.

Question 10

Are the current starting-out and training wage rates (80% of the adult minimum wage rate) appropriate? Please explain why.

Yes. Maintaining starting-out and training wages at 80% of the adult minimum wage encourages employers to provide employment opportunities for young people.

While the starting-out wage and training wage apply to people aged 16 and over, there is also a cohort of under-16s participating in the workforce. Although this group sits outside the minimum wage framework, its employment opportunities are affected by the broader labour market settings created through minimum wage policy. It would therefore be pragmatic to consider how minimum wage

decisions influence workforce participation and employment opportunities for younger people, alongside the need to balance cost-of-living pressures, business capacity to absorb rising labour costs, and the broader goal of supporting economic growth and employment.

Question 11

What, if any, changes would you recommend to the starting-out or training wage settings? Please explain why.

Retail NZ recommends retaining both wage categories. Any changes aimed at encouraging young people into the workplace should be explored in consultation with businesses. However, determining eligibility can be complex for employers, who must consider whether any of the relevant factors for eligibility apply in the prospective employee's situation. Employers must also have systems in place to ensure the starting-out wage is paid only for the permitted period. Administrative errors could result in a young person being underpaid.

Employer responses to minimum wage increases

Question 12

Which actions did your business, or your members, take in response to the increase in the adult minimum wage in 2026? Please select all that apply.

☒ Reduce hours of work for current employees

☒ Not hire new employees or not replace employees who left the business

☒ Make employees redundant

☒ Increase wages or salaries for employees already paid above the minimum wage

☒ Delay pay increases for employees already paid above the minimum wage

☐ Automate tasks or processes

☐ Increase the use of casual, temporary or contract workers

☐ Hire fewer young or inexperienced workers

☐ Increase investment in training and professional development

☐ Reduce investment in training and professional development

☐ Reduce non-wage employment benefits (insurance, wellbeing payments, etc)

☒ Increase the price of goods or services

☐ Reduce the range or level of services or products offered

☐ Absorb the additional costs through lower profits

☒ Other (please specify) – See Table 5

Table 5. Response to previous Minimum Wage rises	% of Respondents
Made employees redundant	6.1%
Changed work processes	9.2%
Used more contractors or temporary staff	10.2%
Reduced hours of work for current employees	28.6%
Reduced other operating costs	31.6%
Changed the staffing mix or shift patterns	32.7%
Delayed pay increases for employees already paid above the minimum wage	39.8%
Increased the price of goods or services	39.8%
Increased wages or salaries for employees already paid above the minimum wage	40.8%
Did not hire new employees or did not replace employees who left the business	50.0%

Why did your business or your members take these actions?

As discussed in previous responses, rising employment costs are a primary factor behind members taking these actions. Minimum wage increases affect not only employees receiving the statutory minimum but also create pressure to raise wages for more experienced employees to maintain appropriate pay differentials. This increases total payroll costs at a time when many retailers face tight margins and challenging trading conditions. Where these additional costs cannot be absorbed through lower profits, employers may seek to recover them by increasing prices, reducing staff hours, delaying recruitment or limiting other business expenditure.

Question 13

How far in advance does your business, or do your members, usually plan for minimum wage increases?

☐ up to 3 months

☐ 3-6 months

☐ 6-9 months

☐ 9-12 months

☐ 1-2 years

☒ Other (please specify)

Businesses would prefer as much notice as possible. While employers expect a minimum wage increase on 1 April each year, the new rate is often announced close to that date. Employers would benefit from knowing the new rate at least three months before it takes effect. The rate should also be announced on a fixed date each year, giving businesses certainty and enough time to adjust their budgets. The current inconsistent timeline is frustrating for retailers.

What steps are usually taken to prepare?

Employees must be notified in writing and changes made to payroll.

Youth employment outcomes and the minimum wage

Question 14

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

Are some groups of young people more likely to be affected than others? If yes, which groups and how?

Minimum wage increases may provide young people with some cost-of-living relief. However, the effect may be less pronounced for those living with their parents, as they don't face the same housing and grocery costs as older workers. Stats NZ reports that the proportion of young people aged 15 to 30 living with one or both parents has increased since 2013; among 18-year-olds, it rose from 73.1 percent in 2013 to 79.4 percent in 2023.

Increases in minimum wage may deter employers from hiring young people with little or no experience, in favour of offering additional hours to more experienced staff.

Question 15

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

- enter employment?
- remain in employment?

Employers want to hire people with experience, but opportunities to gain that experience are too limited. Young people want to feel like they have a shot at success, in a workplace that gives them room to grow. As one of the country's largest employers of young people, retail is uniquely placed to close that gap with more entry-level roles than almost any other sector. Government already has a tool for this: Mana in Mahi offers employers a wage subsidy and funded training for hiring people who are struggling to get a foothold in work. This pathway can be harnessed to increase opportunities for 18–24-year-olds entering retail. Increased education to businesses about this subsidy would also be helpful.

Question 16

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)
Modest increases to minimum wage are unlikely to move the needle significantly on getting young people into work. According to a recent report from Deloitte - 2026 Gen Z and Millennial Survey - young people are known to value workplaces that take wellbeing seriously, a sense of purpose in their work, opportunities for growth, flexibility in their work patterns, and social connection, in addition to financial security.